

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

**Of the  
One Hundred Sixty-seventh**

**ANNUAL COUNCIL  
Of the  
DIOCESE OF TEXAS**

**Volume I**

**Woodlands Waterway Marriott  
Convention Center**

**February 12 & 13  
2016**

## EPISCOPAL DIOCESE OF TEXAS VISION DOCUMENT

### **MISSION STATEMENT**

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

### **CORE VALUES**

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

#### **Missionary Emphasis**

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

#### **Education and Leadership**

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

#### **Meeting Human Needs**

Bringing the love of Christ to a hurting world

#### **Responsive Stewardship**

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

#### **Excellence**

Setting a standard for ministry driven by miraculous expectation

### **VISION**

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

We are:

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

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

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

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

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

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\*Report Not Received

# **VOLUME I – REPORTS TO COUNCIL**

## **I. FROM THE 166TH COUNCIL**

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

I certify that there are no items of unfinished business remaining from the 166th Annual Council of the Episcopal Diocese of Texas. I also certify that the minutes (as contained in Volume II, *Journal of the 166th Council*) are a true and accurate account of the proceedings of that Council.

John A. Logan, Jr., Secretary

### **REGULAR COMMITTEES FOR THE 167TH COUNCIL (2016)**

#### **1. CONSTITUTION AND CANONS**

To 2016:

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

3622 Wickersham, Houston 77027 (713) 229-1922

Sam Griffin, St. Cyprian's, Lufkin

Lillian Hyde, St. Luke's Hospital, Pasadena

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

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

#### **2. COUNCIL MANAGEMENT**

To 2016:

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

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

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

Susan Duif, Trinity Church, Galveston

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

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

Seth Hinkley, Christ Church Cathedral, Houston

Tammy Tiner, St. Thomas', College Station

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

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

#### **3. DISPATCH OF BUSINESS**

To 2016:

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

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

Terry Nathan, St. David's, Austin

Tammy Tiner, St. Thomas', College Station

Paul Skeith, St. David's, Austin

#### **4. NOMINATIONS**

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

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

To 2016

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

To 2017

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

To 2018

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

## **5. RESOLUTIONS**

To 2016:

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

## **6. SUPERVISORS AND TELLERS**

To 2016:

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

## II. STANDING COMMITTEES OF THE COUNCIL

### *Pre-Council Report of the COMMITTEE for CONSTITUTION & CANONS to the 167th Council*

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

##### **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 missionary.

### 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 missionary.

### 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 SECOND 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:**

#### 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.

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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 SECOND READING.

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

##### **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 SECOND READING.

**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 SECOND READING.

**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 SECOND READING.

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

**NONE**

**C. CANONICAL AMENDMENTS**

The Executive Board has submitted the following reorganization of the Canons. As the charts below indicate, most of the Canons have been re-numbered without any changes to the wording of the Canon. Proposed Title I, Canon 3, Title II, Canon 2, and Title III, Canon 1 each contain a combination of two prior Canons and are set forth below. The Executive Board's proposal removes Canon 43 from the Canons, which removal is also set forth below.

**TITLE I  
ORGANIZATION, POWERS, AND PROCEDURES OF COUNCIL**

Canon 1	The Council	(Former Canon 1)
Canon 2	The Dispatch of Business for Council	(Former Canon 2)
Canon 3	Nominations and Elections	(Former Canon 3 becomes new Title I, Canon 3, and former Canon 26 becomes new Title I, Canon 3, Section 3.8)

**EXISTING:**

**CANON 3  
NOMINATIONS AND ELECTIONS**

Section 3.1      *Membership*

The Committee for Nominations shall consist of seven members of the Clergy, seven laypersons, 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 layperson 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 laypersons, 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 laypersons 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 laypersons 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.

**EXISTING:**

**CANON 26  
TRUSTEES OF THE UNIVERSITY OF THE SOUTH**

Section 26.1      *Elections – Terms of Office*

There shall be elected by the Council of the Diocese, three Trustees for the University of the South, consisting of one Clerical and two Lay Trustees. The 118th Annual Council shall elect one Trustee for a one-year term, one Trustee for a two-year term, and one Trustee for three-year term. Thereafter each Annual Council shall elect one Trustee to serve for a term of three years.

**PROPOSED:**

**TITLE I  
CANON 3  
NOMINATIONS AND ELECTIONS**

Section 3.1      *Membership*

The Committee for Nominations shall consist of seven members of the Clergy, seven laypersons, 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.

(a) The Standing Committee shall select one member of the Clergy from its membership and the Executive Board shall select one layperson 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 laypersons, 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 laypersons 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 laypersons 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.

**Canon 26**  
**TRUSTEES OF THE UNIVERSITY OF THE SOUTH**

Section 3.8 ~~26.1 Elections—Terms of Office Trustees of the University of the South~~  
There shall be elected by the Council of the Diocese, three Trustees for the University of the South, consisting of one Clerical and two Lay Trustees. The 118th Annual Council shall elect one Trustee for a one-year term, one Trustee for a two-year term, and one Trustee for three-year term. Thereafter each Annual Council shall elect one Trustee to serve for a term of three years.

**IF AMENDED:**

**TITLE I**  
**CANON 3**  
**NOMINATIONS AND ELECTIONS**

Section 3.1      *Membership*

The Committee for Nominations shall consist of seven members of the Clergy, seven laypersons, 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 layperson 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 laypersons, 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 laypersons 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 laypersons 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.

### Section 3.8 *Trustees of the University of the South*

There shall be elected by the Council of the Diocese, three Trustees for the University of the South, consisting of one Clerical and two Lay Trustees. The 118th Annual Council shall elect one Trustee for a one-year term, one Trustee for a two-year term, and one Trustee for three-year term. Thereafter each Annual Council shall elect one Trustee to serve for a term of three years.

Canon 4	Annual Budget and Assessments	(Former Canon 13)
Canon 5	Amendments of the Constitution and Canons	(Former Canon 48)

## **TITLE II DIOCESAN OFFICERS AND BOARDS**

Canon 1	Duties of the Officers of the Diocese	(Former Canon 4)
Canon 2	The Executive Board of the Diocese	(Former Canon 5 becomes new Title II, Canon 2, and former Canon 39 becomes new Title II, Canon 2, Section 2.10)

### **EXISTING:**

## **CANON 5 THE EXECUTIVE BOARD OF THE DIOCESE**

### 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 laypersons 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 laypersons; 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      *(Removed by vote at Council 2015)*

**EXISTING:**

**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      *(Removed by vote at Council 2015)*

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.

**PROPOSED:**

**TITLE II**  
**CANON 25**  
**THE EXECUTIVE BOARD OF THE DIOCESE**

Section 52.1      *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 52.2      *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 52.3      *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 laypersons 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 laypersons; 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 52.4      *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 52.5      *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 52.6      *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 52.7      *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 52.8      *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 52.9      *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 — (Removed by vote at Council 2015)~~

### **Canon 39** **GENERAL FUNDS APPEALS**

#### ~~Section 39.1 2.10   *Defenition General Funds Appeal*~~

- (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 39.22 — (Removed by vote at Council 2015)~~

### Section 39.3 — Requirements

- (d) 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
- (e) 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.
- (f) 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.

### **IF AMENDED:**

## **TITLE II CANON 2 THE EXECUTIVE BOARD OF THE DIOCESE**

### Section 2.1      *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 2.2      *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 2.3      *Membership – Elections – Vacancies*

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

- (1) The Bishop of the Diocese, who shall be the Chair.
- (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 laypersons 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 laypersons; 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 2.4      *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 2.5      *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 2.6      *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 2.7      *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 2.8      *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 2.9      *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 2.10      *General Funds Appeal*

- (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.
- (d) 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
- (e) 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.
- (f) 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.

Canon 3	Convocations	(Former Canon 7)
Canon 4	The Church Pension Fund	(Former Canon 18)
Canon 5	Property and Liability Insurance	(Former Canon 20)
Canon 6	Diocesan Commission on Ministry	(Former Canon 42)
Canon 7	Diocesan Action on Matters of Public Policy Touching Issues of Liberty, Justice and Peace	
Canon 8	Cathedral	(Former Canon 46)
Canon 9	Seal	(Former Canon 47)

### **TITLE III**

#### **PARISHES, MISSIONS AND SCHOOLS**

Canon 1	Parishes and Missions	(Former Canon 8 becomes new Title III, Canon I and former Canon 22 becomes new Title III, Canon 1, Sections 1.6-1.8)
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#### **EXISTING:**

### **CANON 8**

#### **PARISHES AND MISSIONS**

##### **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      *(Removed by vote at Council 2015)*

## 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.

### **EXISTING:**

## **CANON 22 INCORPORATION AND MINISTRY EMPLOYEES OF A DIOCESAN ENTITY**

### **Section 22.1      *Incorporation of a Diocesan Entity***

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

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

### **Section 22.2      *Consent of the Bishop***

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

### **Section 22.3      *Ministry Employees***

All Youth Ministers, Directors of Christian Education, Directors of Lay Ministry, and Directors of any other ministry, whether compensated or otherwise, serving in any

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

**PROPOSED:**

**TITLE III**  
**CANON 81**  
**PARISHES AND MISSIONS**

Section 81.1      *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 81.2 *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 — (Removed by vote at Council 2015)~~

#### Section 81.3 *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 81.4 *Remitting Parishes to Missions*

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

(b) If the Wardens and Vestry of any Parish shall fail for a period of six

months without just cause to elect a Rector, such Parish shall be considered dormant, and the Bishop, with the advice and consent of the Standing Committee, may remit such Parish to the position of an Organized Mission, and such action shall be reported by the Bishop to the next Annual Council.

#### Section 81.5      *Suspending Parishes or Missions*

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

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

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

### **CANON 22**

#### **INCORPORATION AND MINISTRY EMPLOYEES OF A DIOCESAN ENTITY**

##### Section 22.1-1.6 *Incorporation and Ministry Employees of a Diocesan Entity*

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

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

“Canons” shall mean the existing Constitution or Canons, respectively, of the Diocese, and any amendment thereof. The term “Act” shall mean the Texas Nonprofit Corporation Act and any amendment thereof.

Section 22.21.7 *Consent of the Bishop*

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

Section 22.31.8 *Ministry Employees*

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

**IF AMENDED:**

**TITLE III  
CANON 1  
PARISHES AND MISSIONS**

Section 1.1      *Organization – Name*

A Parish, which has not been previously organized as a Mission, may be organized under any appropriate name by the adoption of Articles of Association and by duly choosing a Vestry and Wardens, at such time as it is capable of meeting all the financial obligations of a Parish, as well as its 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 1.2      *Parochial Missions*

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

### Section 1.3      *Missions Petitioning to Become Parishes*

Any Mission organized under the provisions of 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 1.4      *Remitting Parishes to Missions*

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

### Section 1.5      *Suspending Parishes or Missions*

- (a) Suspending Parishes or Missions from the right of representation in the Council of the Diocese shall be effected according to Article 6 of the Constitution. The suspension or dissolution of a Parish or Organized Mission must be in accordance with Article 6 of the Constitution.
- (b) Any Parish failing in three years out of the five years next preceding any Annual Council to elect a Vestry, to pay its assessments as assessed by the Council, to make the reports required by Canons, or to provide for the services of a Minister at least quarterly, shall lose voice and vote in the Council until the Council, by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine; and upon a like failure for five consecutive years, shall be dropped from the roll of Parishes and remitted to the missionary field, unless the Council by a two-thirds vote, after hearing the recommendation of the Executive Board, shall otherwise determine. Any Parish failing for one year to comply with the terms of its organization may, at the discretion of the Bishop, be declared by the Bishop to cease to exist as a Parish and to thereby become a Mission of the Diocese, and such action by the Bishop shall be reported by the Bishop to the next Annual Council for record.
- (c) Any Mission failing for two years to comply with the terms of its organization shall be suspended from union with the Council, subject to restoration by a

two-thirds vote of the Council, and upon a like failure for three years it forfeits its organization.

#### Section 1.6 *Incorporation of a Diocesan Entity*

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

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

#### Section 1.7 *Consent of the Bishop*

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

#### Section 1.8 *Ministry Employees*

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

Canon 2	The Vestry	(Former Canon 9)
Canon 3	The Wardens	(Former Canon 10)
Canon 4	Parish Register and Parochial Reports	(Former Canon 11)
Canon 5	Diocesan Missions	(Former Canon 12)
Canon 6	Offerings	(Former Canon 14)

Canon 7	Pensions, Insurance and Other Benefits	(Former Canon 19)
Canon 8	Property	(Former Canon 21)
Canon 9	Incorporation of a Diocesan Entity	(Former Canon 22)
Canon 10	Unrelated Entities	(Former Canon 23)
Canon 11	Episcopal Schools	(Former Canon 38)

#### TITLE IV ECCLESIASTICAL DISCIPLINE

Canon 1	Disciplinary Procedures	(Former Canon 44)
Canon 2	Renunciation of Ordained Ministry	(Former Canon 45)

#### **EXISTING:**

#### CANON 43 MORAL DISCIPLINE

##### Section 43.1 *Obligation*

All members of the clergy, having subscribed to the Declaration required by Article VIII of the Constitution of the Episcopal Church, shall be under obligation to model in their own lives the received teaching of the Church that all of its members are to abstain from sexual relations outside Holy Matrimony.

##### Section 43.2 *Definitions*

As used in this Diocese, Holy Matrimony shall mean the physical and spiritual union of a man and a woman, entered into within the community of faith, by mutual consent of the heart, mind, and will, and with intent that it be lifelong; and the moral qualifications of a person, as that term is used in the Canons of the Episcopal Church, shall include conformity to the obligation set forth in Section 43.1 hereof.

#### **PROPOSED:**

#### CANON 43 MORAL DISCIPLINE

##### Section 43.1 ~~*Obligation*~~

~~All members of the clergy, having subscribed to the Declaration required by Article VIII of the Constitution of the Episcopal Church, shall be under obligation to model in their own lives the received teaching of the Church that all of its members are to abstain from sexual relations outside Holy Matrimony.~~

##### Section 43.2 ~~*Definitions*~~

~~As used in this Diocese, Holy Matrimony shall mean the physical and spiritual union of a man and a woman, entered into within the community of faith, by mutual consent of the heart, mind, and will, and with intent that it be lifelong; and the moral qualifications of a person, as that term is used in the Canons of the Episcopal Church, shall include conformity to the obligation set forth in Section 43.1 hereof.~~

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

Canon 1	The Episcopal Endowment Fund	(Former Canon 16)
Canon 2	The Bishop Quin Foundation	(Former Canon 17)
Canon 3	St. Stephen's School	(Former Canon 24)
Canon 4	The Episcopal Theological Seminary of the Southwest	(Former Canon 25)
Canon 5	Episcopal Health Foundation	(Former Canon 27)
Canon 6	The Episcopal High School	(Former Canon 28)
Canon 7	Diocesan St. James Houses	(Former Canon 29)
Canon 8	Protestant Episcopal Church Council of the Diocese of Texas	(Former Canon 31)
Canon 9	Episcopal Foundation of Texas	(Former Canon 33)
Canon 10	Camp Allen	(Former Canon 34)
Canon 11	St. Vincent's House of Galveston	(Former Canon 35)
Canon 12	El Buen Samaritano Episcopal Mission	(Former Canon 36)
Canon 13	The Episcopal Housing Trust	(Former Canon 40)
Canon 14	The Clergy Housing Trust	(Former Canon 41)
Canon 15	The Great Commission Foundation	(Former Canon 49)
Canon 16	EDOT Financial Services Corporation	(Former Canon 50)

**SUBMITTED BY:** The Executive Board.

**RATIONALE** (by the Executive Board):

1. This organization adopts the style of The Episcopal Church Constitution and Canons. Therefore the various sections and subsections will be referred to by Title, Canon number, section and subsection. As an illustration, the duty of the Chancellor to advise the Bishop, et al., will be found in Title II.1.4(a).
2. This proposed restructuring and reordering is inclusive of all revisions and language approved by the Diocesan Council through 2015.
3. Canon 43 was removed from this proposed reordering of our Canons. The Constitution and Canons of The Episcopal Church govern the authority of the Bishop to determine the qualifications of the clergy who serve in the diocese. They also protect the right of a congregation working with the Bishop to choose their rector and clergy. Canon 43 infringes on this canonical authority of the Bishop and parishes. Furthermore, requirements for the conduct of clergy are set forth in the Constitution and Canons of The Episcopal Church in the discipline canons and apply to all dioceses of the Church. The expectation that clergy who are married live lives of fidelity in marriage is clearly laid out in both The Episcopal Church canons and the policy of the Diocese.

THE COMMITTEE RECOMMENDS ADOPTION OF THIS PROPOSAL.

## **COMMITTEE ON NOMINATIONS**

### **Treasurer**

Robert Biehl, St. Martin's, Houston

### **Secretary**

The Rev. Canon John Logan, Diocese of Texas

### **Church Corporation**

Jerry P. Campbell, St. Alban's, Waco

Charles W. Hall, St. John the Divine, Houston

Van D. Valentine, St. Christopher's, Houston

### **Standing Committee Lay**

David Bollinger, Good Shepherd, Tomball

Rebecca Brindley, St. Michael's, Austin

Louise Elizabeth Eriksen, St. Christopher's, Houston

### **Standing Committee Clergy**

The Rev. Elizabeth Ruth Dowell, St. John's, Columbus

The Rev. Rob Leacock, Good Shepherd, Austin

The Rev. Ralph Morgan, St. Cyprian's, Lufkin

### **Executive Board Lay**

DeAnna Bosch, St. Andrew's, Houston

Ellen Eby, Holy Comforter, Spring

Maria Dalila Figueroa, San Francisco de Asís, Austin

Dennis Itzep, Santa Maria Virgen, Houston

Melinda Little, St. Thomas, Houston

Flint Risien, St. Paul's, Katy

Betsy Sullivan, St. Dunstan's, Houston

### **Executive Board Clergy**

The Rev. Freda Marie S. Brown, St. Vincent's House, Galveston

The Rev. Eric Hungerford, St. James, La Grange

The Rev. Dean Lawrence, St. Francis, College Station

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

The Rev. Ted Smith, St. Stephen's, Liberty

### **Sewanee Trustee**

William Gage, St. John the Divine, Houston

Michael Lewis, Christ Church, Tyler

Sandy Wilkens, St. Martin's, Houston

## **COMMITTEE ON RESOLUTIONS**

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

### **Courtesy Resolutions of the 167th 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 141-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 167th 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 167th 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 167th 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. George R. Sumner, Bishop of Episcopal Diocese of Dallas.

Greetings to the Episcopal Diocese of Fort Worth

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



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

RESOLVED, that the 167th 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 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 167th 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 167th 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 167th 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 167thth 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 167thth 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 167th 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 167thth 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 167th 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 10 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 8 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 167th 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 David Boyd, Deborah Daigle, Kenneth Dimmick, Stephen Ferguson, Robert Flick, Jan Jenson, Charlene Miller, James Morgan, Janne Osborne, Thomas Rardin, and the Very Reverend Douglas Travis 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, 2015 and up to this date in 2016; and

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

RESOLVED, that the 167th 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, Nancy Lennard 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 2015; and WHEREAS, the Episcopal Diocese of Texas has been richly blessed by her gifts in the service of our Lord; therefore be it

RESOLVED, that the 167th 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 167th 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; Mr. Rob Montgomery; and Tammy Tiner.

Susan Kennard, Chair

### **III. REPORTS OF BISHOPS, GENERAL CONVENTION AND SYNOD**

#### **REPORT OF BISHOP DENA A. HARRISON**

During this year it has been a privilege to be part of our continued focus on mission. I am privileged to see the great commitment, creativity and energy behind the work which goes on in the diocese among our people and our congregations in response to God's call.

In the Austin area, our three diocesan church plants continue to develop and thrive. Church of the Cross, Lake Travis, St. Mary Magdalene, Manor, and St. Julian's, Round Rock are blessed with superb lay and clergy leadership as they extend the church into new areas.

In numerous other established congregations, creative models of ministry in community settings are being developed and tested. We are all learning and growing in these new patterns.

In order to support the mission of the diocese, the Commission on Ministry has been working very hard this year to develop a new pattern of discernment for lay and clergy vocations, and the Iona School for Ministry is developing a track for training lay leaders as well as clergy leaders. We want to utilize all the gifts of all our members as we work to build the Kingdom.

The Iona Initiative is a collaboration of the Seminary of the Southwest, the Iona School for Ministry and 18 other dioceses to "export" the program developed here in our diocese. At this time there are 140 students studying in 12 locations around the Church in addition to our own school.

Of course this was a General Convention year, and our deputation represented us very well. The election on the first ballot of Michael Curry, the Bishop of North Carolina, as Presiding Bishop was an exciting event which promises to bear great fruit. He is an excellent leader, and I know that the Church will come to appreciate his gifts even more deeply in the years to come.

One of the highlights of General Convention was a march sponsored by the Bishops Against Gun Violence. Over a thousand people got up very early to participate in this powerful event. This group, of which all three of your bishops are members, works around the year to raise awareness about violence and to witness to the gospel of peace.

The General Convention spoke very clearly of its desire to focus on evangelism and on racial reconciliation, with budgets approved which provide resources for the work.

St. Stephen's Episcopal School in Austin has called a new headmaster to begin in the 2016-17 academic year. Chris Gunnin of Trinity Valley School in Fort Worth will succeed Bob Kirkpatrick, headmaster since 2007. Bob is retiring after a stellar career, including his exemplary leadership of St. Stephen's. During his tenure, the campus has been transformed with new facilities, the curriculum has been continuously improved, and the school's Episcopal identity reinforced. We will miss him and his wife Sue, but we are grateful for his committed and expert leadership.

The Seminary of the Southwest continues to thrive and grow. Dean Cynthia Kittredge is providing great leadership, and the community is a powerful environment for the formation of Christian leaders. The master-level counseling program is expanding and with the support of the Episcopal Health Foundation is pioneering new ways to locate mental health providers in underserved areas.

El Buen Samaritano continues to develop its programs under the leadership of Iliana Gilman. The Wallace Mallory Clinic is working toward becoming a Patient Centered Medical Home, a model which focuses on the patient's experience as well as the quality of care. Episcopal Health Foundation is supporting this direction and providing invaluable consulting and support as "El Buen" grows its ministry.

This year Bishop Fisher and I participated in a unique experience as a group of Bishops Suffragan visited Europe to learn about refugee ministries there. As I write this, the issue of immigration from the Middle East is very much before us after the Paris attacks, and the Convocation of American Churches in Europe has a lot of experience to share with us.

An unexpected bonus of our trip was the opportunity to meet Pope Francis and to greet him personally. It was shortly after his American trip, and he was very gracious to us. I am grateful for his witness to the Church's mission of reconciliation and peacemaking.

In this same vein, another noteworthy event of 2015 was the visit to our diocese of the Dean of Coventry Cathedral. The story of the cathedral's response to being destroyed in WWII bombing is inspiring and offers wisdom for all of us.

In the Austin area, I am personally delighted that there is now another bishop in town! The Rt. Rev. Philip Duncan and his wife Kathy have relocated to Austin after his retirement as Bishop of the Central Gulf Coast. Bishop Duncan has already begun to help us in a number of ways, and I hope you will welcome him and Kathy.

In the next triennium, I will be serving two church-wide bodies, the Disciplinary Board for Bishops and the Committee on Nominations for the next General Convention.

As we prepare to gather in February, it is a joy to greet you in this report and to look forward to our continuing ministry together.

Dena A. Harrison, Suffragan Bishop

## **REPORT OF BISHOP JEFF W. FISHER**

As I travel among the congregations and ministries of the Diocese of Texas, I am continually reminded of the great privilege of being invited into your lives. When I am in a congregation for the celebration of confirmation, reception and reaffirmation, I am deeply aware that the Holy Spirit is leading individuals to a new milestone on their journey of faith. It is an amazing thing to be a witness, up close, as those who stand in front of me renew their commitment to Jesus Christ.

Thank you for your openness and your receptiveness to the new things that our Lord Jesus Christ is doing in our midst. As the prayer for the Church in *The Book of Common Prayer* says it: "Let the whole world see and know that things which were cast down are being raised up, and things which had grown old are being made new."

All across our diocese, I see and know that things are being cast down and things have grown old. I also see and know that the creative Holy Spirit of Jesus is raising things up and making them new.

In addition to serving with our congregations in the Holy Spirit's work of resurrection and renewal, 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 aim to be attentive to the pastoral concerns of all of our clergy. The Rev. Carol Petty, Canon for Wellness and Care / Safe Church Minister, has done a great job in working with me to provide more resources for clergy and their families, resources that promote clergy and family wellness and care. Check out the new webpage and Facebook page for Clergy Wellness and Care. As a team with Bishop Doyle and Bishop Harrison, your three bishops are responsive to the pastoral needs of our clergy. Our Chaplains to the Retired Clergy help us greatly in providing pastoral care to our retired clergy and their families, including the annual Retreat for Retired Clergy, Spouses & Surviving Spouses, which takes place again at Camp Allen in March of 2016.

### Bi-Vocational Priests

In concert with my work as the Executive for Pastoral Ministry, and at the request of Bishop Doyle and Canon Mary MacGregor, I conducted pastoral conversations with each of our bi-vocational priests, both active and retired. During August and September of 2015, this work included 30-minute conversations with 34 bi-vocational priests, totaling 17 hours of listening. This exercise keeps our ear to the ground. It might surprise some folks that we have so many bi-vocational priests; this was a rather new concept in our diocese just a decade ago. Our bi-vocational priests serve non-stipendiary (without pay), mainly in congregations that could not have a priest otherwise. In our diocese and in the wider Church, we need to raise up more bi-vocational clergy; the need for such clergy will only increase. If you are a layperson and a leader who is wondering about the ministry of the priesthood lived out bi-vocationally, please pray about this opportunity for service and leadership.

### St. James House in Baytown

St. James House is our diocesan retirement community and I serve as the Chair of the Board of Trustees. Wes Bard is the Executive Director; he has led us into greater financial stability. Pam Nolting serves as President of the Board; she and I work together as an effective team. In August of 2015, our board embarked upon a

multi-phased strategic planning process. We looked not just for a consultant, but also a partner in ministry. We found our strategic ministry partner in Greystone, a senior living advisory firm based in Dallas. As a board, with Greystone's guidance, we aim to focus our long-term planning work on supporting missional communities for seniors.

#### St. Vincent's House in Galveston

I serve as the Chair of the Board of St. Vincent's House, which provides hope and healing to the people on Galveston Island. The Rev. Freda Marie Brown serves as the Executive Director; her passion for social justice, racial reconciliation and the healing of all people is noticed and welcomed in many circles on the Island. Thankfully, Galveston ISD (GISD) began offering free pre-school in their public school system; preschool education was discontinued at St. Vincent's House because GISD now provides this service to the community. St. Vincent's House provides several health clinics, emergency assistance, transportation services, a food pantry, as well as spiritual support and worship. In August of 2015, the board authorized an appointed team of five individuals to function as the new board: smaller and more nimble and with a bit more time to give. Our new board is collaborating with the Episcopal Health Foundation because we recognize that St. Vincent's House is a valued site for healthcare on Galveston Island.

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

Lisa Martin from St. Mark's in Austin serves as the ECW president. The format for the Annual Retreat for Women now includes an entire weekend, from Friday evening to Sunday noon. The Annual Retreat for Women was held in November of 2015 and included many opportunities to explore timely topics regarding service to our neighbors.

The Daughters of the King meet in a diocesan assembly twice each year, in the spring and in the fall. In 2015, I was honored to preach and preside at the opening worship at the spring assembly in Tyler and at the fall assembly at Camp Allen. Renate Walker is the new DOK President for our diocese. The Glory Bound Singers are a musical ministry of the diocesan DOK. In October of 2015, we were all saddened by the death of Nancy McCann, long-time leader of the Glory Bound Singers. The Daughters are a vibrant ministry of prayer, service and evangelism throughout our diocese.

Ellen Cook is our new Diocesan Altar Guild Directress, following the excellent service of Joan Konecny. The Diocesan Altar Guild provides valuable information to our altar guilds in all our congregations; let them know how they can help your congregation. During The General Convention in Salt Lake City this summer, I was pleased to speak at the banquet for the National Altar Guild Association (NAGA).

#### Little Church Club

In 2015, the Little Church Club focused on serving our neighbors and communities, near and far. Nearby neighbors include the towns where we are planted. Far away neighbors include the dioceses we have companion relationships with, including Costa Rica, Southern Malawi and North Dakota. 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.

#### All Saints' Episcopal School in Tyler

All Saints' Episcopal School in Tyler is also the site of the Tyler Diocesan Office and I serve on the board of the school. On Ascension Day in 2015, in a beautiful outdoor liturgy, we broke ground for the long-awaited Chapel on the campus. The Chapel will include a new location for the Tyler Diocesan Center. My administrative assistant, Martha Harvey, and I are excited to move into brand new office space in 2016.

#### The General Convention

At The General Convention in Salt Lake City over the summer, I served on the Committee for the Dispatch of Business. We helped to set the agenda for each legislative day and kept the flow of business moving. Also, we served as tellers for the election of our new Presiding Bishop, Michael Curry. It was intriguing to witness the inner workings of the House of Bishops.

The next General Convention, in 2018, will be hosted by the Diocese of Texas, in Austin. Halley Ortiz of St. David's in Austin and I serve as co-chairs of the planning team, getting ready to show off our great diocese to the wider Church in 3 years. At this General Convention in 2015, we sent a team of "scouts" from our diocese, to learn first-hand and to prepare for 2018.

#### The Episcopal Church

In service to the wider Episcopal Church, I was appointed by Presiding Bishop Katharine Jefferts Schori to work on a team with other bishops, to draft a pastoral letter addressing racism. I met in early December of 2015 with these other bishops, exploring racial reconciliation in our contexts.

At the end of 2015, I completed my 3-year term on the Joint Audit Committee of the Executive Council and the DFMS (the official name of The Episcopal Church). I have been asked to serve for another 3-year term. Given my previous career as an auditor, I am pleased to be of service in this way to the wider Episcopal Church, with our fiduciary responsibilities in mind.

Our new Presiding Bishop, Michael Curry, has requested that I serve The Episcopal Church on the Joint Committee on Program, Budget and Finance (PB&F) for the next triennium, through 2018. Once again, I am happy to be able to utilize skills from both by current and former vocations.

Thank you for the opportunity to see and know that things are being cast down and have grown old; to see and know that things are being raised up and made new. As our Lord Jesus Christ proclaims: "Behold, I make all things new. (Revelation 21:5)."

Jeff W. Fisher, Suffragan Bishop

#### **REPORT OF RAYFORD B. HIGH**

I did 5 Funerals in Diocese, celebrated at the 25th Anniversary of building of the Chapel at the Canterbury house, Baylor, Celebrated at the SAES Conference in Sugarland, and instituted new Executive Director, 1 confirmation service(1 person), and dedicated outside columbarium at St. Timothy's, Lake Jackson...I am not planning on doing any more work this year!!!

Rayford B. High, Suffragan Bishop, Retired



## REPORT OF 78TH GENERAL CONVENTION

The General Convention met in Salt Lake City and was the 230<sup>th</sup> Anniversary! The first General Convention of the Episcopal Church met in Philadelphia in 1785. The deputies of the Diocese of Texas were: Clergy – Mark Crawford, Susan Kennard, Chuck Treadwell, Uriel Osnaya, First Alternate, Patrick Miller; Lay – David Harvin, Junior Higgins, Trey Yarborough, Mary Parmer, First Alternate, Linda Patterson. Lay Alternates Laurie Eiserloh and Carole Pinkett also attended.

The Diocese of Texas was well represented with support from Canon Kai Ryan, Bob Biehl and a number of youth who were part of the official youth presence.

Members of the new group of the diocese called, “Episcopal Herald” provided daily summaries, interviews and commentary on issues raised at General Convention. Our appreciation goes to Patrick Miller, Christine Faulstich, Beth Magill, Jimmy Abbott and Eileen O’Brien. Jason Sierra also provided illustrations for the articles.

### Highlights:

- ❖ The election of the new Presiding Bishop, Michael Curry of North Carolina. Bishop Curry will serve a 9-year term beginning on November 1. Bishop Curry preached at the last service at General Convention in which he challenged the church, all members both young and old to be part of the Jesus Movement.
- ❖ Passed a budget of \$122 million with an addition of 2.8 million for Hispanic ministry and church plants. This is the operating budget of the church for the next Triennium 2016-2018.
- ❖ Celebrated 75<sup>th</sup> anniversary of Episcopal Relief and Development, formerly the Presiding Bishop’s Fund for World Relief.
- ❖ The TREC Resolutions (The Task Force to Re-imagine the Church) – a number of resolutions were passed limiting the number of Standing Commissions to two, restructured the Executive Council of TEC and explored ways of making the bi-cameral structure into a unicameral body.
- ❖ Passed a myriad of Resolutions: the most important were the ones about marriage: A-054 and A-036. A-054 authorized the use of liturgies for trial use entitled, “I will bless you and you will be a blessing” beginning in Advent 2015. A-036 was a resolution taking the language out of man and woman and replacing them with “two persons.”

Please read Bishop Doyle’s Statement on the Diocese of Texas Website: [www.epicenter.org](http://www.epicenter.org). There’s also a minority report signed by 16 bishops which you can read on the Episcopal News Service.

The final text of all of the resolutions can be found on the General Convention Website.

Mark Crawford, Deputy

## REPORT OF THE 2015 PROVINCE VII SYNOD

Friday May 1, Saturday, May 2, 2015

Attending

*Bishops:* The Rt. Rev. Dena Harrison, The Rt. Rev. Jeff Fisher

*Delegates:* The Rev. Meredith Holt, Secretary; Mark Duncan, Chair; Gwen Chance; Mary Sturdevant; The Rev. Francene Young, The Rev. Hannah Atkins; Carol Brown; The Rev. Mitch Tollett

*Guests:* Three General Convention Delegates: The Rev. Chuck Treadwell; John Higgins; Carole Pinkett; and three ECW representatives.

**Business Meeting:** (*note that the three gatherings coincide.*)

- 1) Provincial Synod; 2) Pre-General Convention meeting; 3) Triennial ECW gathering

President's Address: there is always a level of ambiguity at the middle level, such as provincial synod, and clarified the role of the Synod for delegates – 1) elections, 2) network with each other

Actions and Discussions during meeting

1. Amendment: passed to Canon I.9 (sent before General Convention)
2. Ordinance change passed – now states there are 12 months in the year
3. Finances of the Province
  - a. General Discussion
    - i. Assessments are proportionate to income of the dioceses as reported to the national church
    - ii. Preparing for proposed defunding from the national church
    - iii. Sharing about the grants given (see network reports and provincial website: province/org)
  - b. Budget for 2015
    - i. Transitional year as we sync with General Convention schedule
    - ii. This year only assessment is half as we draw on reserve funds
    - iii. Budget proposal for 2016; 2017 and 2018
    - iv. Assessment from each diocese will be back to normal levels (Texas is \$13,275/year)
    - v. Looking forward: 2019; 2020 and 2021 assessments may be higher if we continue as we are, as there will likely be no funding from national church
    - vi. Concern: we are asked to do more networking, but networking as it is now is defunded
4. Nominees for Presiding Bishop announced from joint nominating committee
  - a. The Rt. Rev. Thomas Breidenthal; Southern Ohio
  - b. The Rt. Rev. Michael Curry; North Carolina
  - c. The Rt. Rev. Ian Douglas; Connecticut
  - d. The Rt. Rev. Dabney Smith; Southwest Florida
5. Presentation from the Presiding Bishop (video), *with following points of reference:*
  - a. Provinces 8 and 5 attend synod meetings virtually online

- b. Spoke on the five marks of mission
- 6. Presentation by Sam McDonald, Dept. of Missions, *with following points of reference*:
  - a. We are all connected to each other through Jesus Christ (see 200 page report online)
  - b. Organized through five marks of mission
  - c. Funds set aside for movements and not allocated for specific funds
  - d. Measurable, deliverable goals
  - e. More ne churches planted these last three years than previously
  - f. Exceeded goal of diocese in Province 9 to be self-sustaining (DR, Honduras & Ecuador will be)
- 7. Constitution and Canons Report (for General Convention, but presented as many dioceses elect delegates same for both)
  - a. Expressed desire for professional online Title IV
  - b. Recommended amending canons (clarifying roles, on the convening of meetings, on re-entry of released clergy under Title III, changes to Title IV to clarify sanctions, the bounds of authority, streamline discovery process, and now appointing a procedural officer to the board, etc.)
- 8. Report from 11 bishops on trip to the Episcopal Church Cuba with video and reflections shared
- 9. Passed Resolution: (brought by The Rt. Rev. Jeff Fisher, Texas) Ordinance 2 Section ba now reads: Synod may meet virtually, under the direction of provincial council

#### Election Results

President – sherry Denton, Western KS, Vice President – The Rt. Rev. Ed Konieczny, OK; Treasurer – The Rev. Nancy Igo, NWTX; Secretary – Ms. Kate Huston, OK; Members-at-large: The Rev. John Bedingfield, Western LA; Mrs. Lee Spence, Dallas; The Rev. Mark Goodman, Lay Executive Council; Mr. Thomas Alexander, Ark; Joint Nominating: Phyllis Brannon Flory; David Harvin, Texas; Mitzi George, Western Louisiana; Susan Sparks, Western Louisiana, Cathy Bailey, Rio Grande; The Very Rev. Mark Goodman, Rio Grande.

Mark O. Duncan, Chair

## IV. REPORTS OF OFFICERS OF THE DIOCESE

### HISTORIAN

There have been now new additions to the History of the Diocese 1980-2013. Copies of the history may be obtained from Alice Kerr in the diocesan office. I wish to express my gratitude to the Rev. Mark Crawford who partnered with me in this project.

Jimmy Abbott, Diocesan Historian

### REGISTRAR

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

John A. Logan, Jr., Registrar

## SECRETARY

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

Again this year, we did not print a separate "Directory." All information that was included in the Directory may now be found on the diocesan Web site ([www.epicenter.org/diocese/governance/diocesan-journals/](http://www.epicenter.org/diocese/governance/diocesan-journals/)). 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 167th Council are to be filed online (do not send copies to the Diocesan Center). Forms of other materials for 2016 (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 13, 2016. 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 2015 Treasurer's Report will be posted to the Diocesan website and reviewed at special workshops before the opening of Council. It will also be published in Volume II of the *Journal*.

## BALANCE SHEET

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	Unaudited Nov. 30, 2015	Audited Dec. 31, 2014
<b>ASSETS</b>		
Cash and Marketable Securities	\$ 82,838	\$ 254,073
Prepaid Expenses	159,645	327,929
Accounts Receivable		
Assessments & Askings	509,617	196,104
Less: Allowance for Doubtful Accounts	(68,640)	-0-
Related Entities	345,566	52,740
Other	149,971	127,668
Notes Receivable	13,271	18,771
Fixed Assets	787,200	798,604
Less: Accumulated Depreciation	<u>(513,418)</u>	<u>(465,049)</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,466,050</u></b>	<b><u>\$1,310,840</u></b>
<b>LIABILITIES</b>		
Accounts Payable		
Trade	\$ 145,247	\$ 193,511
Related Entities	196,877	76,221
Other	42,385	9,188
Discretionary Accounts	14,681	33,052
Deferred Revenue	55,045	248,016
Line of Credit	350,000	-0-
Notes Payable	<u>-0-</u>	<u>7,726</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 804,235</u></b>	<b><u>\$ 567,714</u></b>
<b>NET ASSETS</b>		
Net Assets	\$ 520,486	180,985
Net Assets – Special Accounts	222,640	187,913
Current Year – Revenue Over (Under) Expenses	<u>(81,311)</u>	<u>374,228</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 661,815</u></b>	<b><u>\$ 743,126</u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$ 1,466,050</u></b>	<b><u>\$1,310,840</u></b>

*The information presented below is for the period January 1 – November 30, 2015.*

## **DIOCESAN BUDGET**

	<b>YEAR TO DATE AMOUNTS</b>	<b>2015 ADOPTED BUDGET</b>
<b>REVENUES</b>		
Current Year Assessments (net)	\$6,795,315	\$7,413,071
Foundation Support	971,517	1,078,073
Program Revenues	307,871	311,498
Other Income	<u>289,432</u>	<u>211,358</u>
<b>TOTAL REVENUES</b>	<b>\$8,364,135</b>	<b>\$9,014,000</b>
<b>EXPENDITURES</b>		
Office of the Bishop		
Clergy & Lay Compensation	\$1,808,427	\$2,008,350
Business & Travel	347,037	331,000
Council	295,822	286,000
Other Expenses	234,907	238,700
Ministry of Evangelism & Congregational Development		
Staff Compensation	211,470	221,182
Conferences	263,245	173,000
College Missions	574,611	745,000
Other Expenses	227,266	306,000
Ministry of Service and Outreach		
Support of the Episcopal Church	711,877	776,593
Support of the Anglican Communion	175,000	250,000
World Mission and Other Support	116,295	197,098
Ministry of Formation & Spirituality		
Staff Compensation	332,144	378,089
Other Expenses	479,616	412,500
Administrative Expenses		
Staff Compensation	345,617	580,234
Operating Expenses	1,041,936	1,093,267
Insurance	633,184	636,987
Other Administrative Expense	316,933	380,000
Special Accounts – NET	<u>330,059</u>	<u>-0-</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$8,445,446</u></b>	<b><u>\$9,014,000</u></b>
<b>NET CHANGE IN ASSETS</b>	<b><u>\$ (81,311)</u></b>	<b><u>\$ -0-</u></b>

*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 166<sup>th</sup> Council. A final meeting for 2015 has been scheduled for December 9<sup>th</sup>.

Wednesday, December 10, 2014. The Board reviewed and adopted a Phase I report on the proposed revision to the diocesan Constitution and Canons to be submitted to the Council Constitution and Canons Committee for submission to the 167<sup>th</sup> Council. Electronic voting at future Councils was discussed. The motion was adopted to again implement at Council the provisions of Canon 13.4 (concerning the non-seating at Council of congregations that had not paid their assessment). The proposed budget for 2015 was adopted for submission to Council. The Bishop expressed the need for a Peace and Justice Commission to assist him in these issues.

Saturday, February 8, 2015. At a meeting of the Executive Board immediately following the adjournment of the 166<sup>th</sup> Annual Council, the following officers were elected: Bishop Harrison, Vice-Chair; Bob Biehl, Treasurer; John A. Logan, Jr., Secretary; Patrick Miller, Executive Board representative on the Nominations Committee.

Wednesday, March 11, 2015. The Governance Committee continued its work on the revision of the Diocesan Constitution and Canons with a re-grouping of amendments (as in the Canons of the General Convention). Diocesan Council was discussed ("How we can do a better job"). The Finance Committee moved to create a Compensation Committee. Under the changes to Clergy Insurance adopted earlier, clergy new to the Diocese will receive only single coverage. A 2015 Unified Budget of \$9,014,000.00 as adopted by Council was discussed. The Board was told that the Commission on Ministry has begun to make changes in how we do discernment. There is a need for regional discernment committees and for discernment retreats. Discussion was had on the future structure of the Church (and its Seminaries) – what will it look like?

Wednesday, September 9, 2015. The Board received reports from the Episcopal Health Foundation and the other Diocesan Foundations. The Finance Committee had received "clean" audit reports. A Committee is to be appointed to study the tax consequences of a tax on "Cadillac" health plans. The final Canons reorganization plan was presented for recommendation to the Council Committee on Constitution & Canons for presentation to the 167<sup>th</sup> Council. Canon 43 will be removed from the proposed re-ordering. The Board received copies of "This Far by Faith, A History of the African-American Presence in the Episcopal Diocese of Texas." The reorganization of the Diocesan Staff is continuing. The Bishop announced that the Episcopal Church Archives had outgrown its facilities at the Seminary and would be moving to a new building to be constructed adjacent to Saint David's Church in Austin.

John A. Logan, Jr., Secretary

## **V. DIOCESAN FOUNDATIONS**

### **THE BISHOP QUIN FOUNDATION**

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 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. 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); and The Rev. Beth Magill, Ms. Carol Sue “Sukey” Fenoglio, and Ms. Karla Randle-Schapansky (terms expiring in 2018). Officers elected by the Board were Mr. Carvel Glenn, President, Mr. Tim Nutt, Vice-President, Mr. Robert J. Biehl, Treasurer, Mr. David N. Fisher, Secretary, and Ms. Angela Smith, Assistant Secretary.

The Foundation established the following committees:

- Executive Committee – Conducts foundation business between meetings of the board. Members are; The Bishop of Texas (Chairman), Carvel Glenn (President & Convener), Tim Nutt, Karla Randle-Schapansky, and the Treasurer of the Diocese.
- Finance Committee – Monitors and evaluates the foundation’s investments, oil and gas properties, and loan performance. Members are; Carvel Glenn, Gregory Vincent, Tim Nutt, Robert Biehl, and David Fisher.
- Quin / EFT/ GCF Strategic Ministry Grant Committee – Joint Venture which supports the growth of congregations within the Episcopal Diocese of Texas. Bishop Quin Foundation members of the SMG Committee are Karla Randle-Schapansky, Carvel Glenn, Tim Nutt, Beth Magill, John Himes, and Carol Sue “Sukey” Fenoglio, Victor Thomas, and John Hancock.

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 Ministry Grant program is a collaborative venture with the Episcopal Foundation of Texas and the Great Commission Foundation. 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 Angela Smith. 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, the Episcopal Foundation of Texas, the Episcopal Health



Foundation, and the Great Commission Foundation. It is a privilege to work with this exceptional group of Christians with one accord.

Carvel Glenn, 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 Angela Smith, Assistant Secretary.

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

JoLynn Free, President

### **EPISCOPAL FOUNDATION OF TEXAS**

The value of the Episcopal Foundation of Texas decreased slightly through the first three quarters of 2015 as a result of declines in the financial markets. At the end of the 3<sup>rd</sup> quarter in 2015 the assets of the Foundation totaled just under \$60.2 million which represents a decrease market value of just under \$2.7 million since the beginning of 2015. An increase in the value of the Foundation may provide a small increase in the funds available for grants in 2015, depending on the performance of the investment portfolio in the fourth quarter of 2015. Below is a list of the funds budgeted for the various institutions the Episcopal Foundation of Texas supports during the year ended December 31, 2015.

#### **Grants in 2015:**

St James House	\$100,000
St. Vincent’s House	100,000
El Buen Samaritano	250,000
St. Stephen’s School	275,000
Seminary of the Southwest	475,000
Camp Allen	200,000
The University of the South	250,000
The Bishop Quin Foundation	246,000
The Bishop Quin Foundation Strategic Ministry Grants	<u>452,530</u>
Total:	\$2,348,530

The accounting firm of Blazek & Vetterling LLP has completed auditing The Episcopal Foundation of Texas for the year 2014. There were no significant changes recommended in our accounting procedures. Copies of the Audit report are available in the Diocesan office and can be reviewed upon request.

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

Bruce Harper, President

### **THE GREAT COMMISSION FOUNDATION**

The purpose of the Great Commission Foundation ("GCF") is set forth in Canon 49.1: "to support the missionary and church-planting strategy of the Diocese."

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

The GCF Investment Committee is chaired by Joe Bailey, and this Committee works closely with DiMeo Schneider, which is the investment advisor for the GCF portfolio. The GCF Real Estate Committee is chaired by Robert Massad. The GCF has four subcommittees: Finance, Strategic Ministry Grants, EDOT Congregational Development Interface, and Audit.

During 2015, GCF continued to support financially the existing missions of the Episcopal Diocese of Texas as well as support the expansion of our footprint and mission within the geographic boundaries of the Diocese. Some highlights of this activity include funding the new Church of the Cross, Lake Travis, church-plant, as well as supporting second church sites for Good Shepherd, Austin (Good Shepherd on the Hill), St. Andrew's, Pearland (Mosaic Campus), and the development of the Christ Church, Tyler (South Tyler Campus).

In 2015, the GCF became the third foundation (along with the Bishop Quin Foundation and the Episcopal Foundation of Texas) to fund jointly the Strategic Ministry Grant program. This program provides grants to congregations in the Diocese to help fund unique and innovative ministries, reach out into the community, and make our congregations known in a relevant way that will lead to growth. Funds from the GCF were specifically used to fund six emerging missional communities in the Diocese as pilot program.

As a relatively new foundation, the GCF spent much of 2015 visioning its role in the Diocese and establishing policies for its path forward. The GCF continues to work closely with the Protestant Episcopal Church Council of the Diocese of Texas ("Church Corp."), the Bishop Quin Foundation, and the Episcopal Foundation of Texas. Coordination with these foundations of the Diocese will continue in 2016.

Throughout the year, the trustees have been guided by Bishop Doyle and are grateful for his vision and support. The trustee have also worked closely with and relied heavily upon the diligence and excellent work of David Fisher, Bob Biehl, and

Angela Smith. We look forward to continuing our journey and service in 2016.

Maria Boyce, President

### **EPISCOPAL HEALTH FOUNDATION**

After spending the better part of 2014 planning for the new foundation, in 2015 we hit the ground running with programs in grant-making, research, convening, and congregational and community engagement. Our overarching goals are to strengthen the health 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 theory of change is that healthy communities are created when diverse people join together to develop community-driven, people-centered, health-oriented systems. As an outreach ministry of the Episcopal Diocese of Texas, our work begins and ends in the community.

Grant-making: We began making grants under our new goals and strategies in late April and as of November, we had awarded grants to 60 organizations for a total of \$9,445,792. These grants represent investments in organizations headquartered in 11 counties including Bell, Burnet, Colorado, Fort Bend, Galveston, Harris, Jefferson, Matagorda, Montgomery, Smith and Travis, some of whom serve multiple communities and/or work statewide. The majority of the grants were made to organizations providing community based care to low income, uninsured and vulnerable populations, including preventive, primary, mental health and dental care. We also made investments in health and human services outreach and enrollment, early childhood development, and health planning. We were delighted to make our first payments under last year's \$3 million grant to Seminary of the Southwest to support Seminary graduates in providing mental health services in Deep East Texas. We continue to make payments in fulfillment of our tithe commitment from the proceeds of the transfer of the hospital system to the Great Commission Foundation, and this year that amount was \$4,017, 547. Likewise, we awarded a grant of \$5 million to support clergy health insurance costs. During 2015, we expect our grant-making budget to be \$23,500,000, including the \$5 million grant for clergy health insurance.

Congregational engagement: We now have 5 staff members who devote all or some of their time to working with our parishes to support outreach for community health. We completed a [survey](#) of congregational outreach activities and interests in March to guide our development of congregational programming. During the year, the staff has met with over half of the churches in the diocese to build relationships and plan programs. Current projects includes supporting outreach on mental health issues in partnership with 7 churches in the Northeast Convocation; working with three Galveston churches on mental health, racial reconciliation and access to health care; launching a community organizing initiative in partnership with Houston congregations; connecting a Temple congregation and its community with the Texas Hunger Initiative to improve local food security; and supporting an Austin church to gain training for running a Children's Defense Fund *Freedom School* for local low income children. We have also provided scholarships to enable clergy and lay leadership to attend conferences and trainings. We expect to increase programmatic activities in 2016.

Other work: Our 2015 work also included research, convening community meetings of stakeholders working together to improve health, and community engagement at the grassroots level. We published 5 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 community meetings throughout the diocese and will reprise our 9-stop "road show" in late November and early December. These meetings provide opportunities to engage congregations, community leaders and the non-profit sector in discussion of community health challenges and opportunities. We are facilitating a convening in Tyler, by invitation from one of our congregations, to support the health care delivery sector in its efforts to provide primary and preventive care to low income residents outside of the emergency room. We continue to support with staffing and financing Waco's collective impact project known as Prosper Waco.

As we near completion of our first year of operating under our strategic plan, we've already learned so much that will help us improve our work going forward. The biggest take-away has been the recognition that to achieve our vision of healthy communities for all, we must change the systems and structures that have resulted in the exclusion of so many from the opportunity to lead healthy lives. We've also learned that we need to focus and concentrate our efforts to accumulate impact. And while we spend the bulk of our funding on grants to community organizations, the research, convening, congregational and community work give us the context and partnerships that enhance our grant-making. The power of 70,000 Episcopalians gives us presence, partners and perspective in hundreds of communities. The combination of grant-making and community based work distinguishes Episcopal Health Foundation and gives us an opportunity to pursue system change in a way that is generally not available to churches or foundations on their own.

Elena M. Marks, President

## **VI. CANONICAL REPORTS**

### **COMMISSION ON MINISTRY**

The primary purpose of the Commission on Ministry is to assist in the ongoing discernment of those who feel called to ordained ministry. Nominees (also called Aspirants) are presented to the Commission on Ministry by their local Head of congregation and Vestry/Bishop's Committee, after having completed a discernment process and required application.

In 2015, the Commission on Ministry was comprised of three groups who assisted in the further discernment to ordained ministry for those seeking ordination as seminary-trained priests, bi-vocational priests, and deacons. In 2016, there will be two groups as the Commission on Bi-vocational Ministry will be merged into the Commission on Ministry and all aspirants discerning ordination to the priesthood will be seen by the same group. The Committee for the Diaconate is unchanged.

The Commission on Ministry interviews aspirants and determines whether or not an aspirant should proceed to the next steps in the process, which is a meeting with Bishop Harrison. Bishop Harrison 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 the 2014 report, it was stated that the discernment processes were being reviewed. To accomplish this, a subcommittee of the Commission on Ministry was created and has worked throughout 2015 to review the discernment process and develop a retreat to provide time and space for focuses discovery of one's gifts and talents as potential lay and ordained leaders. The subcommittee includes Wendy Huber and Victoria Mason.

The first Discovery Retreat has been developed and will take place January 15-17, 2016 at Camp Allen. The retreat includes worship, education about discernment, self-reflections, and the opportunity to learn about various forms of ministry and missional work across the Diocese. This event will be opened to all the baptized in the Diocese. The goal is to help participants uncover their gifts and call to ministry as lay or ordained leaders.

Following the completion of the Discovery Retreat, participants may request through the Head of their congregation, further discernment with a Regional Discernment Committee. In 2016, Regional Discernment Committees will replace Local Discernment Committees in the canonical process.

All of this work is in support of implementing Vision 2020 and a document of Frequently Asked Questions about the Discovery Retreat and the Regional Discernment process is being developed and will be posted on the Epicenter website by mid January 2016.

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 A. Dean Calcote, Mark Crawford, Christine Faulstich, Patrick Hall, Eileen O'Brien, and Edward L. Stein.

A. Dean Calcote, Chair

### **DEACON'S REPORT**

We recently have welcomed a deacon from another diocese. Deacon Carol Peterson has come to us from the Diocese of Wyoming. Her licensing is pending.

In late 2014, the Reverend Jerry Critchlow died of cancer. He had served as deacon at Good Shepherd Episcopal Church in Kingwood, TX. His funeral was in early January, 2015.

Our thirty – three deacons, many of whom hold “regular” jobs, are involved in a great diversity of diaconal work throughout the Diocese. One deacon continues to be involved in the Austin Recovery ministry, a twelve step recovery ministry. This deacon continues to listen to 5<sup>th</sup> steps. Three deacons are involved in supervising Community of Hope groups. One has organized a parish visitor's ministry. 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. Seven deacons do hospital chaplaincy at local hospitals, and one also supervises volunteer chaplains. Two deacons do hospice chaplaincy. One does end of life pastoral care in the parish. One deacon works with a local organization called Love in the Name of Christ which serves the needy. Three deacons serve as Spiritual Directors.

Four deacons are involved in ministry to the elderly and/or disabled at assisted living facilities and nursing homes. One deacon created an alliance for area youth pastors. One helped form a Boulevard Alliance of Ministry to collaborate in outreach ministry including having a Blessing of Soles service. Three deacons are now involved in Kairos Prison Ministry. Several deacons do other ministry in prisons including chaplain work, facilitation of an Overcomers Program or Bridges to Life, mentorship programs in juvenile detention, reVision for at risk and incarcerated youth, etc. Five deacons are involved in feeding ministries, (Hunger Initiative, Food for the Poor, Feed My Sheep, Nutrition Backpack Ministry, etc.). One deacon participates in the Coalition for the Homeless initiative in Houston. Four deacons are involved in grief support in general including support for boys following a drowning, Walking the Mourner's Path, GriefShare and Footprints – children's grief.

Several deacons are chaplains to law enforcement departments. One deacon worked with other local church communities to organize and provide 5<sup>th</sup> quarter events for teens following local football games. One deacon has setup an elementary school partnership. One deacon has begun work with Agape Development Ministries in Houston's 3<sup>rd</sup> Ward. The goal is to provide transitional housing for young men. Some teach first Communion and/or Confirmation classes including leading a six-week class on the Basics of Faith. Five deacons have Bible Study groups – one at a Wine Bar. One deacon began an Education for Ministry group. Several deacons mentor lay leaders to be the leaders of various outreach projects. One deacon has planned and organized a recovery retreat at Camp Allen.

Many deacons spend time prayerfully discerning new leaders and raising them up and sending them out. One deacon led a mission trip to Honduras. One deacon is chair of the Interfaith Immigration Network. One deacon helped organize a community Peace Walk. 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 formation and teaches 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 has been the 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 have served as Diocesan Emergency Response Coordinators.

The Episcopal Service Corps sites in the diocese, now named Texas Episcopal Service Corps, completed a second year of operation in the summer of 2015. A new group of eight fellows began service in August; five in Houston and three in Austin. They work in nonprofits in Houston and Austin, live in community, have a rule of life, and worship together.

Russ Oechsel, Jr., Archdeacon

### **STANDING COMMITTEE**

The members of the Standing Committee who served this year are: Junior Higgins, Secretary, Vincent Gregory, Rhonda Fanning (Lay) and Bert Baetz, Pedro Lopez and Mark Crawford, President (Clergy).

We have met for our regular scheduled meetings in April, August and November.

Consent to Episcopal elections were approved for:

The Rev. Moises Quezada-Mota	Diocese of the Dominican Republic
The Rev. Canon George R. Sumner	Diocese of Dallas
The Rev. Canon Audrey Cady	Diocese of Central Pennsylvania
The Rev. James R. Kendrick	Diocese of Central Gulf Coast

Approval was given for the ordination to the diaconate for: Alex Easley

Sarah Taylor, Madeline Shelton-Hawley, Brian Tarver, Cindy Clark, John Carr, Alberto Melis, Jeff Davis, Mary Reddick

Approval was given to Candidacy for Holy Orders for:

Jane Barker, Alan Bentrup, Justin Brigglem Mark Chambers, Aston Brown, Stephanie Moncriefe, Mary Louise Kennan, Randall Scott Painter, Nandra Perry, Paul Skeith, Thomas Temperli (however, he resigned his candidacy at a later date.)

Those who have been ordained to the transitional diaconate will be approved for ordination to the priesthood at our November meeting.

Mark T. Crawford, President

### **DISCIPLINARY BOARD**

In the past reporting year, the Disciplinary Board of the Diocese of Texas formally convened only once, on February 24, 2015, by conference call to re-elect The Rev. Lisa S. Hines as President. 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 and the year in which their terms expire are as follows: The Rev. Lisa S. Hines (2016), Mr. B. D. Griffin (2016), The Rev. Stacey Stringer (2017), The Honorable Lora Livingston (2017), The Rev. Art Callahan (2017), The Rev. George C. McGavern (2018), and Mrs. Ann O'Connell (2018).

Lisa S. Hines, President

## VII. FINANCE

### 2016 PROPOSED BUDGET FORMULA

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

#### 1. Part (A) – The Insurance Formula

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

**METHOD:**

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

**PCF** = Total Insurance Cost divided by the sum of:

- (1) Total Parish Operating Revenue *(Note 2)* plus
- (2) 75% of Total Mission Operating Revenue

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

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

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

#### 2. Part (B) – Diocesan Budget

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

**METHOD:**

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



### 2016 Base Percentage

#### Total Operating Revenue PF

UP TO		\$205,000	6%
\$205,001	to	\$308,000	7%
\$308,001	to	\$514,000	8%
\$514,001	to	\$822,000	9%
OVER \$822,001			10%

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

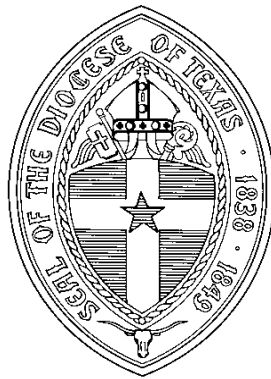
#### **B. Determine the Formula (B) Request (FBR) –**

For 2016 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 2016, the Operating Revenue used was that of 2014.)

# **THE EPISCOPAL DIOCESE OF TEXAS**



## **2016 PROPOSED BUDGET**

**As Approved by the Executive Board and  
Recommended to the 167<sup>th</sup> Diocesan Council**

# THE EPISCOPAL DIOCESE OF TEXAS

## PROPOSED 2016 BUDGET

As Approved by the Executive Board and Recommended to the 167th Diocesan Council

	2014 Actual	2015 Budget	2016 Budget	<b>NOTES</b> (See Page 92)
<b>REVENUES</b>				
<b>Assessments</b>				
Diocesan	\$ 6,845,027	\$ 6,942,950	\$ 7,230,590	<b>AT</b>
Insurance	103,432	545,000	686,800	<b>HE</b>
Less: Allowance for Uncollectible Accounts	(74,725)	(74,880)	(79,174)	<b>PR</b>
<b>Net Assessment Revenue</b>	<b>6,873,734</b>	<b>7,413,070</b>	<b>7,838,216</b>	
<b>Foundation Support</b>				
Church Corporation	193,000	110,000	110,000	
Bishop Quin Foundation	70,000	75,000	75,000	
The Episcopal Foundation of TX	85,000	90,000	90,000	
Church Corporation - Other		25,000	50,000	<b>GC</b>
<b>Total Foundation Grants</b>	<b>348,000</b>	<b>300,000</b>	<b>325,000</b>	
<b>Foundation Overhead Allocation</b>				
Church Corporation	174,605	135,582	174,624	<b>OH</b>
Bishop Quin Foundation	86,958	83,940	100,483	<b>OH</b>
The Episcopal Foundation of TX	84,524	124,320	127,829	<b>OH</b>
Episcopal Health Foundation	329,046	224,594	431,788	<b>OH</b>
Great Commission Fund	132,304	134,637	140,423	<b>OH</b>
St. Luke's Episcopal Health System	6,989	0	0	
Grants in support of Diocesan Reorganization		75,000	512,110	<b>TR</b>
Grant for translation of cultural translation of IWC			45,000	<b>SI</b>
<b>Total Foundation Overhead Payments</b>	<b>814,426</b>	<b>778,073</b>	<b>1,532,258</b>	
<b>Other Revenues</b>				
IONA Program Revenue	53,458	65,000	30,000	
Wellness & Care Revenue	6,085	6,500	6,000	
Commission on Ministry Revenue	350	2,500	2,500	
Congregational Development Revenue	8,925	7,500	6,000	
Formation/Youth Event Revenue	124,297	75,000	110,000	
Unified Commission Revenues	45,325	35,000	20,000	
Recovery Ministries Income			12,000	
<b>Episcopal Service Corps</b>		<b>110,000</b>	<b>87,277</b>	<b>SC</b>
Other Program Revenue	7,376	10,000	7,000	
Texas Episcopalian Contribution	2,436	5,000	4,000	
Bequests and Donations	79,519	0	18,000	
Diocesan Council - hosted by EDOT	57,695	106,250	116,250	
IWC Summit Revenues	27,356	35,000	37,500	
Compass Rose Society Reimbursement	25,000	50,000	50,000	
Other Conference Fees	5,773	8,000	20,000	
Miscellaneous Income	5,364	107	8,000	
Brochures Sales	6,480	7,000	0	
Investment Gains (Losses)	96	0	0	
<b>Total Other Revenues</b>	<b>455,535</b>	<b>522,857</b>	<b>534,527</b>	
<b>TOTAL REVENUES</b>	<b>\$ 8,491,695</b>	<b>\$ 9,014,000</b>	<b>\$ 10,230,000</b>	

## EXPENDITURES

### OFFICE OF THE BISHOP

#### Clergy Compensation

IN

##### Clergy Salaries

Bishop of Texas	185,150	189,543	197,030
Bishop Suffragan - Tyler (Fisher)	98,636	100,819	104,925
Bishop Suffragan - Austin (Harrison)	112,007	114,438	118,920
Assisting Bishops	3,200	5,000	8,000
Canon to the Ordinary (Ryan)	41,718	43,752	66,500
Chief of Staff (Newton)	51,095	57,275	55,585
Secretary of the Diocese (Logan)	5,835	5,579	6,010
Canon to the Ordinary (Normand)	14,478	0	0

##### Total Clergy Salaries

**512,119      516,406      556,970**

##### Housing Allowance and Maintenance

Bishop of Texas	60,000	60,000	60,000
Bishop Suffragan - Tyler (Fisher)	30,000	36,000	36,000
Bishop Suffragan - Austin (Harrison)	35,000	35,000	35,000
Assisting Bishops	0	0	0
Canon to the Ordinary (Ryan)	75,000	60,000	60,000
Chief of Staff (Newton)	48,000	48,000	48,000
Secretary of the Diocese	8,000	8,000	8,000

##### Total Housing Allowance and Maintenance

**256,000      247,000      247,000**

##### Pension and Social Security Reimbursement

Bishop of Texas	70,693	70,387	72,425
Bishop Suffragan - Tyler (Fisher)	47,696	46,436	47,750
Bishop Suffragan - Austin (Harrison)	52,510	58,016	50,525
Assisting Bishops	0	1,868	1,440
Canon to the Ordinary (Ryan)	38,615	38,821	44,700
Chief of Staff (Newton)	37,062	37,631	38,760
Secretary of the Diocese	2,276	5,080	5,250
Canon to the Ordinary (Normand)	12,523	0	0

##### Total Pension and SS Reimbursement

**261,375      258,239      260,850**

#### Total Clergy Compensation

**1,029,494      1,021,645      1,064,820**

#### Lay Staff Compensation

IN, NB

Salaries	296,046	355,980	404,743
Pensions	26,644	32,038	36,427
Employer FICA	22,648	27,232	30,963

#### Total Lay Staff Compensation

**345,338      415,251      472,133**

#### Business and Travel Expense

Bishop of Texas	115,538	80,000	80,000
Bishop Suffragan - Tyler (Fisher)	61,789	55,000	57,500
Bishop Suffragan - Austin (Harrison)	70,239	50,000	52,500
Assisting Bishops	2,628	2,000	5,000
Canon to the Ordinary (Ryan)	27,521	38,000	35,000
Chief of Staff (Newton)	25,876	30,000	20,000
Secretary of the Diocese	1,245	3,000	1,000
Retired Diocesan Bishops	17,169	10,000	5,000
Other Business Clergy Travel	390	1,000	500
Business and Travel - Staff	11,215	12,000	10,000
Episcopal Assistance		2,500	
Vehicle Interest	1,131	5,000	0
Vehicle Depreciation	46,226	25,000	34,700

#### Total Business and Travel Expense

**380,967      313,500      301,200**

Clergy Conference	116,244	98,000	130,000
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<b>TOTAL OFFICE OF THE BISHOP</b>	<b>1,872,043</b>	<b>1,848,396</b>	<b>1,968,153</b>
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CANONICAL EXPENSES			
Diocesan Council	227,514	286,000	289,500
Historian and Archives	3,463	4,000	4,000
Commission on Ministry	43,725	40,000	55,000
General Convention - Deputies	0	55,000	0
General Convention - Hosting Expenses	0	50,000	15,000
Provincial Synod Assessment	13,275	13,500	13,500
Provincial Synod Delegates Expenses	0	15,000	0
Executive Board	9,273	9,000	4,500
Standing Committee	2,169	2,000	2,000
Journal Expense	5,130	5,000	0
Office of the Secretary	260	1,000	1,000
Canonical Printing Expense	0	5,000	0
<b>TOTAL CANONICAL EXPENSES</b>	<b>304,809</b>	<b>485,500</b>	<b>384,500</b>

GC

GC

MINISTRY EXPENSES			
<b>Ministry Staff Compensation</b>			
Salaries, Stipends and Housing	513,568	590,685	735,075
Pensions	51,011	62,259	87,113
Social Security	47,248	57,082	71,657
<b>Total Ministry Staff Compensation</b>	<b>611,827</b>	<b>710,026</b>	<b>893,845</b>
<b>Campus Missions</b>			
Waco, Baylor University	55,000	55,000	60,000
Houston, Rice University	90,583	100,000	105,000
College Station, A&M University	204,145	180,000	180,000
Austin, University of Texas	184,304	180,000	180,000
University of Houston		60,000	75,000
Other Campus Missions	168,506	170,000	122,000
<b>Total Campus Missions</b>	<b>702,538</b>	<b>745,000</b>	<b>722,000</b>
<b>Communications</b>			
Dialog	89,522	90,000	80,000
Communications Department	15,969	25,000	30,000
Translation of outreach materials			45,000
Business and Travel	27,663	35,000	30,000
<b>Total Communications</b>	<b>133,154</b>	<b>150,000</b>	<b>185,000</b>
<b>Transition Ministry</b>			
Travel & Business - Transition Minister			10,000
<b>Wellness and Care Ministry</b>			
Business and Travel	9,820	15,000	15,000
Safe Church (Congreg. Wellness /Care)	129,816	65,000	58,500
Clergy & Family Wellness/Care			10,000
Recovery Ministry			22,000
<b>Total Wellness and Care Ministry</b>	<b>139,636</b>	<b>80,000</b>	<b>105,500</b>

IN, NM

SI

WC  
WC  
WC

<b>Other Ministry Expenses</b>			
Interfaith and Ecumenical Work	685	4,000	2,000
Chaplains to the Retired	5,100	7,200	7,200
Consultant for Schools			2,000
Support for Congregations	85,953	75,000	70,000
Calling & Moving	99,508	60,000	50,000
<b>TOTAL MINISTRY EXPENSES</b>	<b>1,778,401</b>	<b>1,831,226</b>	<b>2,047,545</b>

<b>MISSION AMPLIFICATION</b>
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<b>Mission Amplification Compensation</b>				
Salaries, Stipends and Housing	374,399	395,356	476,299	IN, MA
Pensions	33,696	35,321	42,867	
Employer FICA	28,642	30,022	36,437	
<b>Total Mission Amplification Compensation</b>	<b>436,737</b>	<b>460,699</b>	<b>555,603</b>	
<b>Congregational Vitality</b>				
Business and Travel	18,507	16,000	0	
Sharing Faith Dinners	2,540	3,000	0	
Church Plants and Strategic Development			32,500	CP
Conferences & Clergy Gatherings	138,884	72,000	0	
Iona School and Center	174,033	215,000	135,000	BR
Clergy Training (Clericus, Curates, Cont. Educ. & FTIC)			45,000	BR
Small Conferences			8,000	BR
Newcomer Ministry			9,000	BR
Invite Welcome Connect Summit			70,000	BR
Vestry/Leadership Development			20,000	BR
<b>Total Congregational Vitality</b>	<b>333,964</b>	<b>306,000</b>	<b>319,500</b>	
<b>Christian Formation</b>				
Christian Formation	72,950	50,000	94,000	
Unified Commissions Expense	85,610	65,000	38,010	
Youth Ministry	173,400	125,000	95,000	
Episcopal Service Corps		110,000	182,132	SC
Business/travel - Other			14,000	
<b>Total Christian Formation</b>	<b>331,960</b>	<b>350,000</b>	<b>423,142</b>	
<b>Intercultural Development</b>	<b>40,915</b>	<b>32,500</b>	<b>32,500</b>	
<b>TOTAL MISSION AMPLIFICATION EXPENSES</b>	<b>1,143,576</b>	<b>1,149,199</b>	<b>1,330,745</b>	

<b>SERVICE AND OUTREACH</b>				
Support of the Episcopal Church	755,338	776,593	961,313	DA
Support of the Anglican Communion	253,711	250,000	300,000	
Support for the University of the South	8,000	8,000	8,000	
Millennium Development Goals	78,000	63,098	71,610	
World Mission	19,370	35,000	35,000	
Companion Dioceses	33,009	40,000	40,000	
Disaster Outreach Expense	142	1,000	2,500	
Prison & Restorative Justice Missions	42,500	50,000	40,000	
Seafarer's Center	30,969	0	0	
<b>TOTAL SERVICE AND OUTREACH</b>	<b>1,221,039</b>	<b>1,223,691</b>	<b>1,458,423</b>	

ADMINISTRATIVE EXPENSES				
<b>Lay Staff Compensation</b>				
Salaries	404,547	477,415	710,436	IN, NA
Reserve for Salary Increases		20,000	20,000	
Pensions	34,982	44,767	63,939	
Employer FICA	25,589	38,052	54,348	
<b>Total Staff Compensation</b>	<b>465,118</b>	<b>580,234</b>	<b>848,723</b>	
<b>Diocesan Center Operating Expense</b>				
Information Technology	272,181	255,000	230,000	
Website redesign & New Acctg. System				
Utilities	92,729	90,000	90,000	
Janitorial, Maint. & Repair	104,434	110,000	90,000	
Rent - Austin & Tyler Offices	74,393	85,000	95,000	
Storage	14,654	15,000	15,000	
<b>Total Diocesan Center Operating Expense</b>	<b>558,391</b>	<b>555,000</b>	<b>520,000</b>	
<b>General Office Expense</b>				
Office Equip Lease/Maint	56,497	60,000	40,000	
Office Supplies/Printing	42,836	45,000	35,000	
Communications-Telephone	56,074	57,500	55,000	
Postage/Delivery Expense	23,080	25,000	24,000	
Miscellaneous Office Expense	9,888	7,500	7,500	
Payroll Processing Expense	7,131	12,000	10,000	
HR Consulting & other transition costs			215,000	
Depreciation - Furniture & Equipment	17,589	27,000	10,000	
<b>Total General Office Expense</b>	<b>213,095</b>	<b>234,000</b>	<b>396,500</b>	
<b>Insurance</b>				
Diocesan Property & Casualty Insurance	55,880	55,000	62,000	
Diocesan Workers' Compensation Insurance	21,932	20,000	18,000	
Automobile Insurance for Diocesan Vehicles	22,199	22,500	18,000	
Group Health Insurance	144,205	0	604,915	HE
HSA Funding	0	464,487	(0)	
Other Health Insurance Costs (ins. reserve)	57,091	75,000	75,000	HE
<b>Total Insurance</b>	<b>301,307</b>	<b>636,987</b>	<b>777,915</b>	
<b>Other Administrative Expenses</b>				
Overhead reimbursement to the EDOT FSC	270,227	284,193	334,040	
Legal Expense	62,895	82,500	50,000	
Diocesan Audit	26,523	28,000	25,000	
Administrative Contingencies	1,699	5,000	0	
Interest and Bank Fees	17,857	15,000	14,450	
Miscellaneous Operating Expense	216	74	7	
Business/Travel-Finance Staff	48,292	47,500	65,000	
Subsidy Pension - Retired Clergy	4,792	0	1,500	
Diocesan Staff meetings	8,158	7,500	7,500	
<b>Total Other Admin</b>	<b>440,659</b>	<b>469,767</b>	<b>497,497</b>	
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>1,978,570</b>	<b>2,475,988</b>	<b>3,040,635</b>	
<b>TOTAL EXPENSES</b>	<b>8,298,438</b>	<b>9,014,000</b>	<b>10,230,000</b>	
<b>Special Accounts - Net</b>	<b>(195,449)</b>	<b>0</b>	<b>0</b>	
<b>NET CHANGE IN ASSETS</b>	<b>\$ 388,706</b>	<b>\$ 0</b>	<b>\$ 0</b>	

## NOTES

- AT Assessment** - The Diocesan Assessment increased as a result of Parish revenues increasing.
- HE Health Insurance Costs** - Premium increases drove about a 5% increase in the cost of health insurance to the Diocese. This assessment amount is net of the \$5 Million grant from the Episcopal Health Foundation to offset these costs.
- PR Provision for Uncollectibles** - This amount is 1% of the Assessments and represents the amount unlikely to be paid by congregations.
- GC General Convention** - The Church Corp. will be supporting the expenses for the Diocese's hosting of the 2018 General Convention in Austin.
- OH Overhead** - These amounts represent reimbursement to the Diocese for overhead expenses incurred on behalf of the Foundations.
- TR Transition** - Costs of the reorganization of the Diocesan Office and staff retirements that the Foundations have agreed to reimburse.
- SI Translation of Invite, Welcome, Connect Materials** - This grant and expense are to assist in creating the IWC process in Spanish.
- SC Episcopal Service Corps** - Will operate two sites in 2016, Houston and Austin.
- IN Increases** - The Diocese adjusted staff compensation by 3% for 2016.
- NB New Staff in Bishop's Office** - This includes an additional staff person in 2016 to assist with electronic communication.
- NM New Ministry Staff** - Included in the compensation are the Transition Minister and full-year compensation for new staff hired in 2015.
- WC Wellness and Care** - The expenses have been itemized for clarity and to highlight their increased focus.
- MA New Mission Amplification Staff** - Includes the hiring of the Director of Mission Amplification and a Director of Missional Communities.
- CP Church Plants** - New budget category to support Congregational Vitality.
- BR Expenses Broken Out** - These expenses have been broken out of their old categories to clarify expense responsibility.
- DA Diocesan Asking** - The Diocese is moving towards the 2018 TEC goal of 15% of revenues as adopted by General Convention in 2015.
- NA New Administrative Staff** - Includes the hiring of a new CFO, Treasurer and staff transitions due to retirements.



## 2016 DIOCESAN ASSESSMENTS

<u>PARISHES</u>	<u>City</u>	<u>2014 Total Operating Revenues</u>	<u>Insurance Assessment</u>	<u>Diocesan Assessment</u>
Grace	Alvin	184,743	1,572	12,026
Holy Comforter	Angleton	266,313	2,267	18,642
Christ the King	Atascocita (Humble)	281,612	2,397	17,892
All Saints'	Austin	1,131,073	9,627	113,107
Good Shepherd	Austin	2,540,243	21,621	242,785
St. Alban's	Austin	363,746	3,096	29,100
St. Christopher's	Austin	197,444	1,680	7,248
St. David's	Austin	2,417,188	20,573	241,719
St. George's	Austin	268,464	2,285	18,792
St. James'	Austin	635,652	5,410	56,119
St. John's	Austin	162,340	1,382	10,421
St. Luke's on the Lake	Austin	924,555	7,869	92,456
St. Mark's	Austin	559,131	4,759	50,322
St. Matthew's	Austin	1,198,813	10,203	119,881
St Michael's	Austin	824,458	7,017	80,379
Calvary	Bastrop	331,543	2,822	24,242
St. Mark's	Bay City	260,251	2,215	18,218
Trinity	Baytown	550,528	4,686	49,548
St. Mark's	Beaumont	821,841	6,995	76,106
St. Stephen's	Beaumont	661,767	5,632	59,559
San Mateo	Bellaire	262,240	2,232	18,357
St. Mary's	Bellville	191,993	1,634	11,427
St. Peter's	Brenham	341,560	2,907	27,325
St. Andrew's	Bryan	486,165	4,138	37,754
Epiphany	Burnet	177,535	1,511	12,503
Christ Church	Cedar Park	182,156	1,550	12,270
St. Francis'	College Station	173,179	1,474	10,391
St. Thomas'	College Station	579,668	4,934	52,170
St. James the Apostle	Conroe	675,056	5,746	59,176
St. Aidan's	Cypress	444,105	3,780	35,528
Holy Trinity	Dickinson	268,830	2,288	18,326
Christ Church	Eagle Lake	119,274	1,015	7,156
St. Paul's	Freeport	137,994	1,174	3,081
Good Shepherd	Friendswood	510,487	4,345	40,839
Grace	Galveston	256,881	2,186	17,982
Trinity	Galveston	661,496	5,630	59,535

Grace	Georgetown	600,257	5,109	54,023
St. Bartholomew's	Hempstead	67,888	578	4,470
St. Matthew's	Henderson	128,136	1,091	7,688
Ascension	Houston	581,501	4,949	52,335
Christ Church Cathedral	Houston	3,709,767	31,575	338,710
Emmanuel	Houston	633,382	5,391	57,004
Epiphany	Houston	517,947	4,408	46,615
Holy Spirit	Houston	878,571	7,478	87,857
Hope	Houston	215,766	1,836	10,468
Palmer Memorial	Houston	1,977,070	16,827	197,707
St. Andrew's	Houston	425,566	3,622	27,068
St. Barnabas'	Houston	60,672	516	3,789
St. Christopher's	Houston	351,161	2,989	28,093
St. Cuthbert's	Houston	816,464	6,949	73,482
St. Dunstan's	Houston	1,232,239	10,488	123,224
St. Francis'	Houston	1,544,359	13,144	154,436
St. James'	Houston	632,660	5,385	56,756
St. John the Divine	Houston	6,942,749	59,091	694,275
St. Luke the Evangelist	Houston	91,947	783	5,517
St. Mark's	Houston	914,995	7,788	80,225
St. Martin's	Houston	12,596,803	107,216	1,220,399
St. Mary's (Cypress)	Houston	575,195	4,896	51,768
St. Stephen's	Houston	807,716	6,875	72,694
St. Thomas'	Houston	661,639	5,631	56,296
St. Thomas the Apostle	Houston	502,078	4,273	40,166
Trinity	Houston	945,210	8,045	80,224
St. Stephen's	Huntsville	215,162	1,831	15,061
Trinity	Jasper	103,877	884	5,125
Holy Apostles'	Katy	1,169,733	9,956	116,973
St. Paul's	Katy	343,491	2,924	18,580
St. Christopher's	Killeen	256,027	2,179	17,922
Good Shepherd	Kingwood	1,084,301	9,229	108,430
St. James'	La Grange	288,063	2,452	20,164
St. Timothy's	Lake Jackson	422,895	3,599	33,832
St. Mary's	Lampasas	159,459	1,357	9,064
St. John's	La Porte	289,352	2,463	20,255
St. Christopher's	League City	547,701	4,662	49,293
St. Stephen's	Liberty	242,624	2,065	16,654
St. Luke's	Livingston	122,964	1,047	7,378
St. Michael & All Angels	Longview	145,638	1,240	8,738
Trinity	Longview	705,859	6,008	63,527
St. Cyprian's	Lufkin	546,245	4,649	49,162
Trinity	Marble Falls	380,703	3,240	30,456

St. John's	Marlin	68,593	584	3,329
Trinity	Marshall	474,715	4,040	37,977
St. Catherine of Sienna	Missouri City	407,360	3,467	29,490
Christ Church	Nacogdoches	433,563	3,690	33,880
St. Paul's	Navasota	89,524	762	5,371
St. Philip's	Palestine	246,252	2,096	17,238
St. Andrew's	Pearland	499,189	4,249	39,935
Holy Trinity	Port Neches	195,802	1,667	11,748
St. Francis of Assisi	Prairie View	78,481	668	5,578
Calvary	Richmond	530,483	4,515	41,885
St. Mark's	Richmond	313,069	2,665	19,120
St. Richard's	Round Rock	518,515	4,413	46,666
St. John's	Sealy	75,768	645	4,429
Holy Comforter	Spring	303,886	2,586	21,272
All Saints'	Stafford	368,039	3,132	29,443
Holy Cross	Sugar Land	505,569	4,303	40,446
Christ Church	Temple	416,349	3,544	33,308
St. Francis'	Temple	304,684	2,593	21,118
St. George's	Texas City	162,298	1,381	9,738
Good Shepherd	Tomball	328,316	2,794	23,169
Trinity	The Woodlands	1,450,409	12,345	145,041
Christ Church	Tyler	1,522,688	12,960	150,572
St. Francis'	Tyler	200,360	1,705	12,496
Holy Spirit	Waco	247,091	2,103	17,296
St. Alban's	Waco	546,694	4,653	39,013
St. Paul's	Waco	1,291,153	10,989	129,115
St. Mary's	West Columbia	198,219	1,687	11,893
St. Thomas'	Wharton	269,400	2,293	18,858
<b>TOTAL PARISHES</b>		<b>77,532,625</b>	<b>659,899</b>	<b>6,977,709</b>

#### MISSIONS

Trinity	Anahuac	51,773	330	3,106
Resurrection	Austin	312,635	1,996	17,721
San Francisco De Asis	Austin	53,561	342	5,382
St. Julian of Norwich	Austin/Round Rock	206,722	1,320	9,415
Epiphany	Calvert	30,757	196	911
All Saints'	Cameron	112,339	717	3,632
St. John's	Carthage	39,681	253	3,257
St. John's	Center	33,113	211	1,987
St. John's	Columbus	48,270	308	2,896
St. Martin's	Copperas Cove	64,601	412	2,886
All Saints'	Crockett	30,665	196	1,840

St. Augustine of Hippo	Galveston	72,000	460	4,319
St. Philip's	Hearne	8,500	54	264
All Saints'	Hitchcock	46,394	296	2,784
Christ the King	Houston (Alief)	177,212	1,131	10,633
Grace (St. Geo & Pats)	Houston	255,648	1,632	17,895
Lord of the Streets	Houston	67,558	431	3,893
Redeemer	Houston	96,800	618	5,808
St. Paul's & San Pablo	Houston	128,790	822	6,679
Santa Maria Virgen	Houston	274,453	1,752	19,212
St. Alban's	Houston	176,766	1,128	10,606
St. Timothy's	Houston	195,318	1,247	11,427
Trinity	Jacksonville	62,690	400	3,761
Christ Church	Jefferson	51,113	326	3,067
St. Paul's	Kilgore	89,287	570	5,290
St. Peter's	Lago Vista	79,941	510	3,853
St. Michael's	La Marque	194,703	1,243	10,271
St. Paul's	Leigh	15,808	101	948
St. Luke's	Lindale	63,091	403	3,439
Holy Innocents'	Madisonville	27,282	174	1,273
St. Mary Magdalene	Manor	187,920	1,200	11,275
Christ Church	Matagorda	45,678	292	2,741
Christ Church	Mexia	49,018	313	2,257
St. Paul's	Orange	118,158	754	7,089
St. John's	Palacios	28,540	182	1,154
St. Peter's	Pasadena	234,687	1,498	16,428
St. Paul's	Pflugerville	52,808	337	3,178
St. Thomas'	Rockdale	32,153	205	1,929
St. Joseph's	Salado	72,587	463	4,355
Christ Church	San Augustine	51,307	328	3,078
St. John's	Silsbee	109,315	698	6,559
St. James'	Taylor	71,712	458	4,303
St. John the Baptist	Tyler	32,720	209	1,856
St. Paul's	Woodville	60,357	385	3,621
<b>TOTAL MISSIONS</b>		<b>4,214,431</b>	<b>26,901</b>	<b>248,278</b>
<b>GRAND TOTAL</b>		<b>81,747,056</b>	<b>686,800</b>	<b>7,225,987</b>

Episcopal Diocese of Texas

**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, 2014 and 2013

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of Episcopal Diocese of Texas (an operating unit of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2014 and 2013 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**

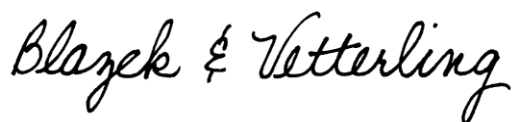
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about 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, 2014 and 2013 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 27, 2015

**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, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 254,072	\$ 60,086
Assessments and other receivables:		
Diocesan operating entities	52,740	160,883
Parishes and missions	307,026	357,903
Other	16,746	126,127
Prepaid expenses	327,929	111,162
Notes receivable	18,771	62,482
Property, net ( <i>Note 2</i> )	<u>333,556</u>	<u>293,273</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,310,840</u></b>	<b><u>\$ 1,171,916</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 143,687	\$ 203,662
Due to Diocesan operating entities	45,252	
Funds held for parishes and missions	42,064	88,861
Grants payable	80,969	101,619
Deferred revenue	248,016	39,017
Notes payable ( <i>Note 3</i> )	<u>7,726</u>	<u>369,859</u>
Total liabilities	<u>567,714</u>	<u>803,018</u>
Net assets:		
Unrestricted	624,707	301,536
Temporarily restricted ( <i>Note 4</i> )	<u>118,419</u>	<u>67,362</u>
Total net assets	<u>743,126</u>	<u>368,898</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,310,840</u></b>	<b><u>\$ 1,171,916</u></b>

*See accompanying notes to financial statements.*

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

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Diocesan assessments of parishes and missions	\$ 6,873,734		\$ 6,873,734
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the			
Dioceses of Texas	637,605		637,605
Episcopal Health Foundation	329,046		329,046
The Bishop Quin Foundation	196,958		196,958
Episcopal Foundation of Texas	169,524		169,524
The Great Commission Foundation	132,304		132,304
Contributions	20,305	\$ 75,538	95,843
Program fees	390,842		390,842
Other	<u>1,716</u>	<u>          </u>	<u>1,716</u>
Total revenue	8,752,034	75,538	8,827,572
Net assets released from restrictions:			
Program expenditures	<u>24,481</u>	<u>(24,481)</u>	<u>          </u>
Total	<u>8,776,515</u>	<u>51,057</u>	<u>8,827,572</u>
EXPENSES:			
Diocesan clergy and lay salaries and related benefits	3,546,784		3,546,784
Diocesan programs	1,582,589		1,582,589
Outreach and service	1,282,509		1,282,509
Diocesan center operations	1,190,944		1,190,944
Travel, business, and continuing education	546,254		546,254
Administrative support for congregations	<u>304,264</u>		<u>304,264</u>
Total expenses (Note 6)	<u>8,453,344</u>		<u>8,453,344</u>
CHANGES IN NET ASSETS	323,171	51,057	374,228
Net assets, beginning of year	<u>301,536</u>	<u>67,362</u>	<u>368,898</u>
Net assets, end of year	<u>\$ 624,707</u>	<u>\$ 118,419</u>	<u>\$ 743,126</u>

*See accompanying notes to financial statements.*



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

Statement of Activities for the year ended December 31, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
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
Episcopal Health Foundation	136,296		136,296
The Bishop Quin Foundation	440,000		440,000
Episcopal Foundation of Texas	260,000		260,000
Contributions	4,209	\$ 308,521	312,730
Program fees	299,759		299,759
Other	41,300		41,300
Total revenue	12,375,801	308,521	12,684,322
Net assets released from restrictions:			
Program expenditures	332,415	(332,415)	
Total	12,708,216	(23,894)	12,684,322
EXPENSES:			
Diocesan clergy and lay salaries and related benefits	9,059,737		9,059,737
Diocesan programs	1,379,260		1,379,260
Outreach and service	1,097,295		1,097,295
Diocesan center operations	786,983		786,983
Travel, business, and continuing education	516,949		516,949
Administrative support for congregations	375,546		375,546
Total expenses (Note 6)	13,215,770		13,215,770
OTHER CHANGES:			
Transfer to The Great Commission Foundation	(398,216)		(398,216)
CHANGES IN NET ASSETS	(905,770)	(23,894)	(929,664)
Net assets, beginning of year	1,207,306	91,256	1,298,562
Net assets, end of year	\$ 301,536	\$ 67,362	\$ 368,898

*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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 374,228	\$ (929,664)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	144,312	143,939
Provision for uncollectible accounts	83,102	
Net realized and unrealized gain on investments		(34,550)
Changes in operating assets and liabilities:		
Assessments and other receivables	193,676	(185,146)
Prepaid expenses	(216,767)	(29,014)
Accounts payable and accrued expenses	(59,975)	36,579
Due to Diocesan operating entities	45,252	
Funds held for parishes and missions	(46,797)	58,544
Grants payable	(20,650)	(10,181)
Deferred revenue	<u>208,999</u>	<u>32,417</u>
Net cash provided (used) by operating activities	<u>705,380</u>	<u>(917,076)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments		(6,804)
Sales of investments		412,616
Purchases of property	(184,595)	(30,088)
Repayments of notes receivable from parishes and missions	55,334	6,669
Advances for notes receivable from parishes and missions	<u>(20,000)</u>	<u></u>
Net cash provided (used) by investing activities	<u>(149,261)</u>	<u>382,393</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances on notes payable	59,797	650,000
Payments on notes payable	<u>(421,930)</u>	<u>(322,298)</u>
Net cash provided (used) by financing activities	<u>(362,133)</u>	<u>327,702</u>
<b>NET CHANGE IN CASH</b>	<b>193,986</b>	<b>(206,981)</b>
Cash, beginning of year	<u>60,086</u>	<u>267,067</u>
Cash, end of year	<u>\$ 254,072</u>	<u>\$ 60,086</u>

*See accompanying notes to financial statements.*

## **Episcopal Diocese of Texas**

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

Notes to Financial Statements for the years ended December 31, 2014 and 2013

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

Organization – Episcopal Diocese of Texas (EDOT) is an operating unit of Diocesan accounts (Missionary Budget Account and Diocesan Budget Account) of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). EDOT was organized in 1836 in the State of Texas, and is a constituent of the Protestant Episcopal Church of the United States of America. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Episcopal Diocese of Texas and a standing committee. EDOT is supported primarily through assessments from 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.

Beginning January 1, 2014, EDOT Financial Services Corporation (FSC) took over the administration of providing health benefits to clergy and certain Diocesan lay staff at the Diocese's parishes, schools, missions and operating entities. Additionally, FSC began providing administrative services to the Diocesan operating entities that previously were provided by EDOT in 2013.

Effective January 1, 2014, EDOT transferred financial support of certain ongoing missions of the Diocese to The Great Commission Foundation.

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

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

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

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

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

Allowances for uncollectible accounts 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, 2014, 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 outflows using a risk-free rate-of-return. All grants payable at December 31, 2014 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, 2014 and 2013, management estimates that approximately 73% and 68% of expenses were attributable to program services and 27% and 32% were attributable to management and general activities, respectively.

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

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

## **NOTE 2 – PROPERTY**

Property consists of the following:

	<u>2014</u>	<u>2013</u>
Office equipment and vehicles	\$ 798,604	\$ 667,626
Accumulated depreciation	<u>(465,048)</u>	<u>(374,353)</u>
Property, net	<u>\$ 333,556</u>	<u>\$ 293,273</u>

## **NOTE 3 – NOTES PAYABLE**

EDOT has entered into notes payable agreements which total \$7,726 and \$19,859 at December 31, 2014 and 2013, respectively, to various financial institutions for the purchase of vehicles. The notes are secured by vehicles having a net value of \$8,719 at December 31, 2014. At December 31, 2014, interest and principal payments are due monthly at an interest rate of 6.7%.

EDOT has a \$1,000,000 line of credit with a bank with an interest rate of prime less 0.75%, with a 2.8% floor (2.8% at December 31, 2014), expiring in October 2015. The line of credit is guaranteed by Church Corporation. At December 31, 2013, there was a \$350,000 outstanding balance.

## **NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Scholarships and missions	\$ 50,806	\$ 49,090
Needs of impoverished people	50,000	
Bastrop fire relief	<u>17,613</u>	<u>18,272</u>
Total temporarily restricted net assets	<u>\$ 118,419</u>	<u>\$ 67,362</u>

## **NOTE 5 – RETIREMENT PLANS**

### *Clergy Plan*

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

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

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

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

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

EDOT recognizes its assessments in the period that the related services are provided by the clergy. During 2014 and 2013, EDOT recognized assessments to the Plan totaling approximately \$230,000 and \$324,000, respectively.

The funding positions of the Plan as of March 31, 2014 and 2013 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>2014</u>	<u>2013</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 8,643,159,000	\$ 7,594,930,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(5,821,173,000)</u>	<u>(6,019,440,000)</u>
Surplus	<u>\$ 2,821,986,000</u>	<u>\$ 1,575,490,000</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 \$131,000 and \$168,000 to this plan in 2014 and 2013, respectively.

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

EDOT provides support to parishes, schools, missions, and other Diocesan entities. During 2014 and 2013, EDOT expended approximately \$593,000 and \$698,000 to parishes, schools, and missions, respectively. The benefits for clergy and certain Diocesan lay staff provided to parishes, schools, missions and other Diocesan entities totaled approximately \$4,700,000 in 2013. Additionally, EDOT uses Camp Allen Camp and Conference Center (Camp Allen) facilities for meetings and conferences and recognized expenses for use of approximately \$330,000 and \$353,000 to Camp Allen during 2014 and 2013, respectively. In 2013, the Diocese provided \$55,000 in support to Camp Allen. EDOT recognized expenses provided by FSC for administrative support totaling approximately \$270,000 and \$188,000 for clergy health costs. These amounts are included in expenses in these financial statements.

**NOTE 7 – LEASE COMMITMENTS**

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

Future minimum lease payments are as follows:

2015	\$ 90,351
2016	65,304
2017	59,616
2018	59,616
2019	59,616
2020 through 2029	<u>566,352</u>
Total minimum lease payments	<u>\$ 900,855</u>

Rental expense for 2014 and 2013 was \$104,000 and \$118,000, respectively.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 27, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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The Bishop Quin Foundation

**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, 2014 and 2013



**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, 2014 and 2013 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

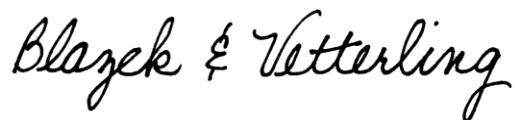
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2014 and 2013 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 27, 2015

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

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents ( <i>Notes 2 and 4</i> )	\$ 1,516,829	\$ 2,941,139
Notes receivable: ( <i>Note 3</i> )		
Diocesan operating entities	798,250	2,194,186
Related entities, net	750,579	870,353
Receivables from Church Corporation	250,000	250,000
Investments ( <i>Note 4</i> )	32,494,067	29,989,793
Land	<u>574,230</u>	<u>574,230</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 36,383,955</b></u>	<u><b>\$ 36,819,701</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 18,098	\$ 16,291
Grants payable to related entities ( <i>Note 6</i> )	265,000	392,500
Notes payable ( <i>Note 7</i> )	<u>89,586</u>	<u>1,908,075</u>
Total liabilities	<u>372,684</u>	<u>2,316,866</u>
Commitments ( <i>Notes 6 and 8</i> )		
Unrestricted board-designated net assets:		
Revolving fund	3,535,871	3,471,561
Permanent fund	<u>32,475,400</u>	<u>31,031,274</u>
Total unrestricted net assets	<u>36,011,271</u>	<u>34,502,835</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 36,383,955</b></u>	<u><b>\$ 36,819,701</b></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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE:		
Investment return ( <i>Note 5</i> )	\$ 2,770,732	\$ 3,741,933
Support from Episcopal Foundation of Texas	551,838	309,469
Interest on notes receivable from Diocesan operating and related entities	<u>74,384</u>	<u>112,472</u>
Total revenue	<u>3,396,954</u>	<u>4,163,874</u>
EXPENSES:		
Grants to related entities	1,453,473	1,387,785
Supporting services:		
Investment management fees	138,149	150,223
Diocesan operating entities – administrative services	136,931	190,000
Mineral interest and production expenses	110,828	119,361
Other management and general	<u>49,137</u>	<u>110,070</u>
Total expenses	<u>1,888,518</u>	<u>1,957,439</u>
CHANGES IN UNRESTRICTED NET ASSETS	1,508,436	2,206,435
Unrestricted net assets, beginning of year	<u>34,502,835</u>	<u>32,296,400</u>
Unrestricted net assets, end of year	<u>\$ 36,011,271</u>	<u>\$ 34,502,835</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 1,508,436	\$ 2,206,435
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(320,211)	(1,867,114)
Changes in operating assets and liabilities:		
Receivables from Diocesan operating entities		25,000
Accounts payable and accrued expenses	1,807	(8,754)
Grants payable to related entities	<u>(127,500)</u>	<u>142,500</u>
Net cash provided by operating activities	<u>1,062,532</u>	<u>498,067</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments		4,487,670
Purchases of investments	(2,104,730)	(4,971,997)
Proceeds from land sold		525,000
Change in money market mutual funds held as investments	(79,333)	8,050
Payments received on notes receivable	1,548,471	582,109
Advances made on notes receivable	<u>(32,761)</u>	<u>(27,858)</u>
Net cash provided (used) by investing activities	<u>(668,353)</u>	<u>602,974</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments made on notes payable	<u>(1,818,489)</u>	<u>(65,807)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,424,310)	1,035,234
Cash and cash equivalents, beginning of year	<u>2,941,139</u>	<u>1,905,905</u>
Cash and cash equivalents, end of year	<u>\$ 1,516,829</u>	<u>\$ 2,941,139</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid on notes payable	\$19,445	\$51,501

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, 2014 and 2013

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

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

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

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

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

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

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

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

Notes receivable are reported at estimated net realizable value. Allowances for notes receivable are provided when it is believed they may not be collected in full and are adjusted annually to reflect changes in the expected future cash flows from impaired notes. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period is determined using a specific analysis of each receivable balance. A note receivable is considered impaired when it is considered probable that the Foundation will not collect all principal and interest amounts due under the terms of the agreement. No interest is accrued on impaired notes. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of receivables. At December 31, 2014, all known impaired loans have been reserved in the allowance for loan losses.

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

Land is reported at cost.

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

- *Revolving fund* receives a transfer of income from the permanent fund and interest and other income related to non-investment assets. These funds may be loaned or granted for any purposes that the Bishop and Board of Trustees may determine to be in furtherance of the spiritual and physical welfare of the Diocese.
- *Permanent fund* receives revenue from investments and royalties after the transfer of income to the revolving fund. By the Board of Trustees' action, income transfers are made from the permanent fund to the revolving fund based on 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>2014</u>	<u>2013</u>
Bank deposits	\$ 1,175,002	\$ 2,250,868
Money market mutual funds	<u>341,827</u>	<u>690,271</u>
Total cash and cash equivalents	<u>\$ 1,516,829</u>	<u>\$ 2,941,139</u>

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

## NOTE 3 – NOTES RECEIVABLE

### *Diocesan operating entities*

The Foundation has a note agreement with Church Corporation at an interest rate of 4.5% due to be repaid in 2015. The remaining balance at December 31, 2014 is \$501,027. 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 or transferred to a local parish. At December 31, 2014, notes receivable include principal plus accrued interest on this note agreement totaling \$286,125.

### *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>2014</u>	<u>2013</u>
Notes secured by real and other property	\$ 527,024	\$ 655,054
Unsecured notes receivable	<u>389,105</u>	<u>380,849</u>
Total notes receivable from related entities	916,129	1,035,903
Allowance for loan losses	<u>(165,550)</u>	<u>(165,550)</u>
Notes receivable from related entities, net	<u>\$ 750,579</u>	<u>\$ 870,353</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, 2014 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	\$ 4,477,981			\$ 4,477,981
Intermediate term	4,367,094			4,367,094
High yield	1,534,556			1,534,556
Domestic equity mutual funds:				
Large-cap index	3,032,300			3,032,300
Large-cap growth	1,519,923			1,519,923
Large-cap value	1,511,108			1,511,108
Small-cap value	1,237,351			1,237,351
Small-cap growth	1,139,029			1,139,029
International equity mutual funds:				
Emerging markets	1,953,056			1,953,056
Large-cap core	1,821,531			1,821,531
Large-cap value	1,862,305			1,862,305
International bond mutual funds	1,860,307			1,860,307
Real estate mutual funds	1,846,382			1,846,382
Master limited partnership mutual fund	1,628,199			1,628,199
Commodity mutual fund	1,622,643			1,622,643
Investment in EH Investment Fund, L.P. (a)			\$ 996,047	996,047
Money market mutual funds	<u>84,255</u>			<u>84,255</u>
Total investments	31,498,020		996,047	32,494,067
Money market mutual funds held as cash equivalents	<u>341,827</u>			<u>341,827</u>
Total assets measured at fair value	<u>\$ 31,839,847</u>	<u>\$ 0</u>	<u>\$ 996,047</u>	<u>\$ 32,835,894</u>



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
International bond mutual funds	1,766,020			1,766,020
Real estate mutual funds	1,417,373			1,417,373
Master limited partnership mutual fund	1,528,669			1,528,669
Commodity mutual fund	1,980,240			1,980,240
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>

- (a) EH Investment Fund, L.P. is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of the Episcopal Health Foundation over full market cycles of seven to ten years. The fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the fund will invest in include: global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed income, and cash and equivalents. Hall Capital Partners, LLC serves as the investment manager and the general partner (via one of its subsidiaries). There are two limited partners: Episcopal Health Foundation and the Foundation. As of December 31, 2014, the Episcopal Health Foundation had a 99.89% interest in the fund and the Foundation had a .11% interest. At any given time, one third of the fund's portfolio assets can be liquidated within a thirty-day time window. Redemptions are allowed at the end of each month within 10 days prior written notice. There are no unfunded commitments at December 31, 2014.

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

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

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

Changes in Level 3 assets measured at fair value during the year ended December 31, 2014 consists of the following:

Balance at December 31, 2013	\$ 0
Investments in limited partnership	1,000,000
Unrealized losses	<u>(3,953)</u>
Balance at December 31, 2014	<u>\$ 996,047</u>

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

#### **NOTE 5 – INVESTMENT RETURN**

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

	<u>2014</u>	<u>2013</u>
Interest, dividends and capital gain distributions	\$ 1,099,836	\$ 849,387
Net realized and unrealized gain	320,211	1,867,114
Royalty income	<u>1,350,685</u>	<u>1,025,432</u>
Total investment return	<u>\$ 2,770,732</u>	<u>\$ 3,741,933</u>

#### **NOTE 6 – GRANTS PAYABLE TO RELATED ENTITIES**

Grants payable at December 31, 2014 are expected to be paid as follows:

2015	\$ 127,500
2016	77,500
2017	35,000
2018	<u>25,000</u>
Total	<u>\$ 265,000</u>

The Foundation has made approximately \$970,000 in grants to related entities that are conditional and have not been recognized as grants payable at December 31, 2014.

#### **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. The note payable balance was \$89,586 and \$158,075 at December 31, 2014 and 2013, respectively.

In 2012, the Foundation entered into a \$2,000,000 loan agreement with EFT. The note payable was repaid at December 31, 2014, and the balance was \$1,750,000 at December 31, 2013.

Principal repayments for notes payable at December 31, 2014 are due as follows:

2015	\$ 71,279
2016	<u>18,307</u>
Total notes payable	<u>\$ 89,586</u>

Interest expense totaled \$19,445 in 2014 and \$51,501 in 2013.

#### **NOTE 8 – COMMITMENTS**

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

#### **NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 27, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Church Corporation

**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, 2014 and 2013

**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, 2014 and 2013 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.

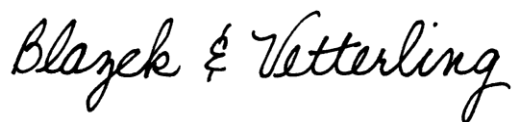
**Auditors' Responsibility** – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to 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, 2014 and 2013 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 4, 2015

**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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 231,153	\$ 365,609
Notes receivable: <i>(Note 2)</i>		
Clergy	862,253	747,334
Parishes and schools, net of allowance of \$17,016 in 2014 and 2013	2,425,735	2,601,412
Other, net of allowance of \$248,933 in 2014 and 2013	464,648	417,771
Land and buildings held for sale <i>(Note 3)</i>	1,214,993	824,000
Other assets	194,135	159,723
Beneficial interest in a trust <i>(Note 3)</i>	3,405,130	3,278,685
Investments <i>(Note 3)</i>	28,692,452	27,058,793
Property, net <i>(Note 4)</i>	<u>9,574,142</u>	<u>9,674,165</u>
TOTAL ASSETS	<u>\$ 47,064,641</u>	<u>\$ 45,127,492</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 20,590	\$ 49,845
Notes payable – line of credit <i>(Note 5)</i>	1,709,536	4,934,536
Grants payable to parishes and schools, net		327,929
Due to Diocesan operating entities	257,111	261,225
Funds held for related entities	12,152,699	10,745,621
Notes payable <i>(Note 5)</i>	<u>7,287,152</u>	<u>3,523,723</u>
Total liabilities	<u>21,427,088</u>	<u>19,842,879</u>
Commitments and contingencies <i>(Note 6)</i>		
Net assets <i>(Note 10)</i> :		
Unrestricted <i>(Note 7)</i>	10,133,682	10,330,065
Temporarily restricted <i>(Note 8)</i>	12,725,598	12,273,002
Permanently restricted <i>(Note 9)</i>	<u>2,778,273</u>	<u>2,681,546</u>
Total net assets	<u>25,637,553</u>	<u>25,284,613</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,064,641</u>	<u>\$ 45,127,492</u>

See accompanying notes to financial statements.

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

Statement of Activities for the year ended December 31, 2014

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

See accompanying notes to financial statements.

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

Statement of Activities for the year ended December 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY 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>                    </u>	<u>                    </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>	<u>                    </u>	<u>                    </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)**

Statements of Cash Flows for the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 352,940	\$ 1,146,088
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	(390,993)	(115,787)
Loss on sale of property held for sale		85,012
Allowance for uncollectible receivables		(22,282)
Change in value of beneficial interest in a trust	(126,445)	(367,724)
Net realized and unrealized gain on investments	(915,425)	(2,468,401)
Changes in operating assets and liabilities:		
Other assets	(34,412)	20,148
Accounts payable and accrued expenses	(29,255)	2,630
Grants payable to parishes and schools	(327,929)	(191,000)
Due to Diocesan operating entities	(4,114)	(84,709)
Funds held for related entities	<u>1,407,078</u>	<u>850,871</u>
Net cash provided (used) by operating activities	<u>31,468</u>	<u>(1,045,131)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments received on notes receivable	292,407	719,046
Advances on notes receivable	(278,526)	(142,072)
Proceeds from sales of investments	7,094,312	15,664,796
Purchases of investments	(7,999,614)	(15,399,595)
Net change in money market mutual funds held as investments	187,068	(17,620)
Proceeds from sale of property held for sale	<u>172,852</u>	<u>172,852</u>
Net cash provided (used) by investing activities	<u>(704,353)</u>	<u>997,407</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	6,791,196	526,440
Payments on notes payable	<u>(6,252,767)</u>	<u>(797,238)</u>
Net cash provided (used) by financing activities	<u>538,429</u>	<u>(270,798)</u>
<b>NET CHANGE IN CASH</b>	<b>(134,456)</b>	<b>(318,522)</b>
Cash, beginning of year	<u>365,609</u>	<u>684,131</u>
Cash, end of year	<u>\$ 231,153</u>	<u>\$ 365,609</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$100,020	\$204,042

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, 2014 and 2013

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

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

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

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

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

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

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

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, 2014, one note from a third party and one note from a parish have been deemed impaired and have been fully allowed.

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

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

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

Property is reported at cost if purchased and at fair value at the date of gift if donated. The title of all real property acquired or contributed to the Diocese is held by Church Corporation except for real property whose title is held by EFT 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.

investment return from these assets may be used to fund specific activities of Church Corporation.

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

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

## **NOTE 2 – NOTES RECEIVABLE**

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

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

## **NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *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, 2014 are as follows:

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

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
Absolute return hedge fund (b)			1,943,567	1,943,567
Managed futures fund (c)			634,254	634,254
Fixed-income mutual funds	1,373,756			1,373,756
Corporate bonds and notes		\$ 576,027		576,027
Money market mutual funds	1,031,223			1,031,223
Mortgage-backed securities		473,503		473,503
U. S. Treasury securities		1,133,327		1,133,327
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		824,000		824,000
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>

- (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, 2014.
- (b) Absolute return hedge fund invests primarily in relative value, event driven, long/short credit, and distressed securities strategies. The fund is designed to have low sensitivity to broad equity market returns. The fund's strategy is to invest in market-neutral and market-uncorrelated investment strategies in a combination that may deliver consistently positive and uncorrelated (to broad equity and fixed-income market indices) monthly returns. Fund investments are subject to gated restrictions upon liquidation requests. The provision of these restrictions is based upon the discretion of the investment manager and surrounding circumstances of market and economic events at the time of liquidation. As of the end of the reporting period, there were no fund investments subject to gated restrictions. Redemption of shares is allowed semi-annually based on the anniversary date of the investment with 95-days written notice. There are no unfunded commitments at December 31, 2014.
- (c) Managed futures fund focuses on managed futures and foreign exchange, offering daily liquidity and full transparency through a segregated managed account structure. Investors are offered diversification across trading styles and market sectors, allocating to over 20 managers who vary in size and in trend or non-trend-following strategies. The portfolio strategy is structured to give positive correlation in bull and negative correlation in bear markets. Fund investments are not subject to gated restrictions upon liquidation requests. Redemption of shares is allowed daily with 10-days written notice. There are no unfunded commitments at December 31, 2014.

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, mortgage-backed securities* and *U. S. Treasury securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate, yield curves and broker quotes, to calculate fair values.
- *Beneficial interest in a trust* is valued based upon an actuarial formula that is predictive of the future value of the trust and the life expectancy of the other beneficiary to the trust.
- *Land and buildings held for sale* are valued on appraised fair value or currently pending sales contracts.

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

Changes in Level 3 assets measured at fair value during the years ended December 31, 2014 and 2013 are as follows:

	DIRECTIONAL LONG/SHORT	ABSOLUTE RETURN	MANAGED FUTURES	BENEFICIAL INTEREST IN A TRUST	TOTAL
Balance at January 1, 2013	\$ 2,233,604	\$ 1,205,023	\$ 1,235,770	\$ 2,910,961	\$ 7,585,358
Change in beneficial interest in a trust				367,724	367,724
Capital additions	650,996	579,216			1,230,212
Distributions			(578,204)		(578,204)
Unrealized gain (loss)	<u>446,970</u>	<u>159,328</u>	<u>(23,312)</u>		<u>582,986</u>
Balance at December 31, 2013	3,331,570	1,943,567	634,254	3,278,685	9,188,076
Change in beneficial interest in a trust				126,445	126,445
Unrealized gain	<u>155,017</u>	<u>155,721</u>	<u>62,076</u>		<u>372,814</u>
Balance at December 31, 2014	<u>\$ 3,486,587</u>	<u>\$ 2,099,288</u>	<u>\$ 696,330</u>	<u>\$ 3,405,130</u>	<u>\$ 9,687,335</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, 2014 and 2013 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>2014</u>	<u>2013</u>
Interest and dividends	\$ 586,295	\$ 647,857
Net realized and unrealized gain	<u>915,425</u>	<u>2,468,401</u>
Total investment return	1,501,720	3,116,258
Less: Investment return allocated to funds held for related entities	<u>(562,646)</u>	<u>(1,251,854)</u>
Investment return, net	<u>\$ 939,074</u>	<u>\$ 1,864,404</u>

Investment related fees of approximately \$92,000 in 2014 and \$106,000 in 2013 are netted against investment return in the statement of activities.

#### NOTE 4 – PROPERTY

Property consists of the following:

	<u>2014</u>	<u>2013</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>(1,102,780)</u>	<u>(1,002,757)</u>
Net depreciable assets	2,827,960	2,927,983
Land used for ministry:		
Diocesan Center	2,220,000	2,220,000
Other ministries	201,470	201,470
Land and buildings held for anticipated future parish or school use	1,531,105	1,531,105
Land and buildings – Diocesan clergy housing	<u>2,793,607</u>	<u>2,793,607</u>
Property, net	<u>\$ 9,574,142</u>	<u>\$ 9,674,165</u>

#### NOTE 5 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2014</u>	<u>2013</u>
Non-interest bearing note payable to GCF.	\$ 6,500,000	
Bank line of credit of \$7,000,000 with interest rate of prime less 1.5% (2.8% at December 31, 2014) through August 2015.	1,709,536	\$ 4,934,536
Note payable to Bishop Quin with interest rate of 4.5%.	501,027	1,900,519
Note payable to Bishop Quin with an interest rate of 6%, secured by certain real estate holdings.	286,125	269,929
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%.		<u>1,353,275</u>
Total notes payable	<u>\$ 8,996,688</u>	<u>\$ 8,458,259</u>

The note payable to GCF is to be repaid from the net proceeds of land and buildings that are no longer being used as church sites. At December 31, 2014, land and buildings valued at \$1,214,993 are being marketed for sale.

The note payable to Bishop Quin of \$501,027 is interest only until the remaining principal is due in June 2017. The note payable to Bishop Quin of \$286,125 is not payable until the related property is transferred to a parish for ministry purposes. The bank line of credit is due to be repaid in 2015 unless Church Corporation renews the agreement.

Interest expense for the years ended December 31, 2014 and 2013 was approximately \$100,000 and \$274,000, 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, 2014, there is no outstanding balance on this line of credit. Additionally, Church Corporation assists related entities such as parishes and schools in obtaining construction loans and acts as a guarantor on approximately \$5,200,000 of such loans with loan maturities through 2028.

#### **NOTE 7 – UNRESTRICTED NET ASSETS**

Unrestricted net assets are designated as follows:

	<u>2014</u>	<u>2013</u>
Participating Funds	\$ 4,463,821	\$ 5,160,666
Diocesan Properties Fund	4,243,375	3,686,640
Clergy Housing Trust	774,271	801,697
Episcopal Housing Trust	<u>652,215</u>	<u>681,062</u>
Total unrestricted net assets	<u>\$ 10,133,682</u>	<u>\$ 10,330,065</u>

#### **NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Joan Golden Estate for support of abused children	\$ 4,228,181	\$ 3,975,574
Elise Casey Episcopal Trust for senior adult support	3,786,373	3,672,134
Ethel J. Ogden Restricted Episcopal Trust for youth education	1,030,638	984,260
Episcopal Endowment Fund for bishop support	584,630	585,004
Bishop Kinsolving Memorial Scholarship Fund	464,641	485,333
Valda McWhirter Estate – Scholarship for St. Alban's, Waco	439,722	433,186
Wallace O. Breedlove Family Fund for missions	404,955	387,507
Ralph Spence Clergy Spouses Fund	350,533	348,410
Elma Robertson Estate for family support	321,017	307,185
Valda McWhirter Estate – St. Alban's, Waco	238,150	227,889
The Reverend William David Roberts Memorial Fund for Iona School	195,240	208,561
Wimberly Legacy Fund	167,520	160,302
Kathy Wheless Memorial Scholarship Fund	155,742	152,061
St. Luke's Chaplaincy Fund	96,880	91,805
Diocesan Scholarship Fund for nursing	75,512	72,259
Other	<u>185,864</u>	<u>181,532</u>
Total temporarily restricted net assets	<u>\$ 12,725,598</u>	<u>\$ 12,273,002</u>

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

Permanently restricted net assets are invested to support the following:

	<u>2014</u>	<u>2013</u>
Robert Maxey Episcopal Bequest benefits All Saints Chapel, Austin and St. David's Church, Austin	\$ 2,654,757	\$ 2,562,254
Cynthia M. Hess Fund benefits St. Cyprian's Church	<u>123,516</u>	<u>119,292</u>
Total permanently restricted net assets	<u>\$ 2,778,273</u>	<u>\$ 2,681,546</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.

Endowment net asset composition as of December 31, 2014:

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

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	\$ 5,160,666	\$ 8,994,317	\$ 2,681,546	\$ 16,836,529

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, 2012	\$ 4,796,203	\$ 8,187,167	\$ 2,442,202	\$ 15,425,572
Contributions	1,134	103,572		104,706
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	(51,538)	(128,909)		(180,447)
Net investment return	477,145	965,782	239,344	1,682,271
Distributions	(113,816)	(262,204)		(376,020)
Endowment net assets, December 31, 2013	5,160,666	8,994,317	2,681,546	16,836,529
Contributions	3,553	127,539		131,092
Investment return:				
Interest and dividends	143,905	387,801		531,706
Net realized and unrealized gain	181,169	319,098	96,727	596,994
Investment management fees	(51,021)	(138,947)		(189,968)
Net investment return	274,053	567,952	96,727	938,732
Distributions	(974,451)	(369,339)		(1,343,790)
Endowment net assets, December 31, 2014	\$ 4,463,821	\$ 9,320,469	\$ 2,778,273	\$ 16,562,563

The Board of Trustees of Church Corporation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Church Corporation classifies the original value of gifts donated to the permanent endowment

as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Church Corporation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, Church Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

### **Return Objectives and Risk Parameters**

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

### **Strategies Employed for Achieving Objectives**

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

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

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

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires Church Corporation to retain the fund as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2014 or 2013.

### **NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 4, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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

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

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

**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 <u>TRUST</u>	CLERGY HOUSING <u>TRUST</u>	DIOCESAN PROPERTIES <u>FUND</u>	PARTICIPATING <u>FUNDS</u>	<u>TOTAL</u>
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	<u>29,591</u>	<u>58,308</u>	<u>415,812</u>	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>

**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, 2014 and 2013

## **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, 2014 and 2013 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, 2014 and 2013 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 27, 2015



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

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash equivalents ( <i>Note 2</i> )	\$ 1,565,135	\$ 838,803
Investment income receivable	232,165	875,261
Note receivable from The Bishop Quin Foundation ( <i>Note 3</i> )		1,750,000
Investments ( <i>Note 2</i> )	60,146,314	54,428,479
Property, net ( <i>Note 5</i> )	<u>969,800</u>	<u>981,654</u>
<b>TOTAL ASSETS</b>	<u>\$ 62,913,414</u>	<u>\$ 58,874,197</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable to other Diocesan entities	\$ 15,494	\$ 19,413
Grants payable to related entities ( <i>Note 6</i> )	<u>811,554</u>	<u>456,554</u>
Total liabilities	<u>827,048</u>	<u>475,967</u>
Commitments ( <i>Notes 6 and 7</i> )		
Unrestricted net assets:		
Coffield income fund	2,034,682	1,739,685
Coffield principal fund	59,752,847	56,350,935
Memorial fund	<u>298,837</u>	<u>307,610</u>
Total unrestricted net assets	<u>62,086,366</u>	<u>58,398,230</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 62,913,414</u>	<u>\$ 58,874,197</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE:		
Investment return ( <i>Note 4</i> )	\$ 6,789,418	\$ 10,977,178
Interest on note receivable from The Bishop Quin Foundation	14,375	43,750
Rent income ( <i>Note 5</i> )	<u>60,116</u>	<u>59,829</u>
Total revenue	<u>6,863,909</u>	<u>11,080,757</u>
EXPENSES:		
Program grants:		
Related entities	1,826,707	1,522,370
Unrelated entities	<u>252,636</u>	<u>207,242</u>
Total program grants	<u>2,079,343</u>	<u>1,729,612</u>
Supporting services:		
Mineral interest and production expenses	525,464	392,125
Investment management costs	297,580	302,194
Diocesan operating entities – administrative services	157,613	260,000
Depreciation	76,360	76,360
Other administrative	<u>39,413</u>	<u>28,594</u>
Total supporting services	<u>1,096,430</u>	<u>1,059,273</u>
Total expenses	<u>3,175,773</u>	<u>2,788,885</u>
CHANGES IN UNRESTRICTED NET ASSETS	3,688,136	8,291,872
Unrestricted net assets, beginning of year	<u>58,398,230</u>	<u>50,106,358</u>
Unrestricted net assets, end of year	<u>\$ 62,086,366</u>	<u>\$ 58,398,230</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 3,688,136	\$ 8,291,872
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(516,245)	(5,630,256)
Depreciation	76,360	76,360
Changes in operating assets and liabilities:		
Investment income receivable	371,480	(579,542)
Accounts payable to other Diocesan entities	(3,919)	5,659
Grants payable to related entities	<u>355,000</u>	<u>52,000</u>
Net cash provided by operating activities	<u>3,970,812</u>	<u>2,216,093</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	23,221,869	7,983,861
Proceeds from mineral investments	703,245	1,361,746
Purchases of investments	(27,921,381)	(12,506,602)
Net purchases of money market mutual funds held as investments	(933,707)	(1,720,856)
Purchase of land	<u>(64,506)</u>	<u></u>
Net cash used by investing activities	<u>(4,994,480)</u>	<u>(4,881,851)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments received on note receivable from The Bishop Quin Foundation	<u>1,750,000</u>	
<b>NET CHANGE IN CASH EQUIVALENTS</b>	726,332	(2,665,758)
Cash equivalents, beginning of year	<u>838,803</u>	<u>3,504,561</u>
Cash equivalents, end of year	<u>\$ 1,565,135</u>	<u>\$ 838,803</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements for the years ended December 31, 2014 and 2013

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

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

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

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

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

Basis of presentation – These financial statements include only the assets, liabilities, net assets, and activities of the Foundation. The accompanying financial statements do not include the assets, liabilities, net assets, and activities of the related Diocesan operating entities, parishes, missions or other Diocesan

entities. Each of these related entities is an operating entity distinct from the Foundation, maintains separate financial records, and administers its own services and programs.

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

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

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

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

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

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

- *Coffield income fund* is designated to support the operating costs of the Foundation as well as for gifts, grants and loans to eight entities designated by Canon and other charitable trusts, nonprofit organizations and national organizations affiliated with the Protestant Episcopal Church in the United States of America and other Anglican and charitable organizations throughout the world.
- *Coffield principal fund* is comprised of all assets received from the Estate of H. H. Coffield, net of investment gains and losses and net oil and gas and lignite royalties. These funds are designated for loans to Bishop Quin and for gifts, grants, loans, or advances for the purpose of establishing memorials to H. H. Coffield. By the Board's action, income transfers are made from the principal fund to the income fund based on a percentage of the average fair market value of the fund for the prior twelve months. The percentage used in this calculation was 4.00% for 2014 and 2013. In addition, the Board has elected to transfer one-half of the annual net oil and gas royalties from the principal fund to the income fund.
- *Memorial fund* is comprised of assets other than those received from the Estate of H. H. Coffield and income from this fund is to be used to support seminarians, clergy and other charitable entities within the Diocese.

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

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

## 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, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic large-cap exchange-traded funds	\$ 19,595,609			\$ 19,595,609
Domestic equity securities:				
Large-cap	5,579,911			5,579,911
Small-cap	2,764,395			2,764,395
Mid-cap	2,331,610			2,331,610
Fixed-income mutual funds	9,647,039			9,647,039
International equity securities:				
Developed markets	4,899,156			4,899,156
Emerging markets	126,134			126,134
World allocation mutual funds	4,903,885			4,903,885
TIFF Absolute Return Pool (a)			\$ 4,000,000	4,000,000
Money market mutual funds	3,551,696			3,551,696
Lignite mining interests			1,550,335	1,550,335
Real estate investment trust funds	702,711			702,711
Exchange-traded bond funds	390,656			390,656
Other	103,177			103,177
Total investments	54,595,979		5,550,335	60,146,314
Cash equivalents:				
Money market mutual funds	1,565,135			1,565,135
Total assets measured at fair value	\$ 56,161,114	\$ 0	\$ 5,550,335	\$ 61,711,449

(a) TIFF Absolute Return Pool II is a fund that seeks to generate, in most market environments, an annualized return equal to or greater than 91-day U. S. Treasury Bills plus 5%, net of all costs. This

focus differs from one targeting relative returns (e.g., trying to beat the S&P 500). The strategies the pool may employ, either directly or indirectly, include but are not limited to capital structure arbitrage, event driven, fixed-income, long/short equity, and directly investing in a range of derivatives as well as selling and purchasing securities for hedging or investment purposes. The pool will employ a minimum of ten managers, with not more than 20% of the pool's assets allocated to a single manager. Redemptions are permitted on the end of the calendar quarter associated with the date of investment, subject to 100 days' written notice after a lock-up period of one year. On December 31, 2014, State Street Bank (TIFF Absolute Return Pool II's Administrator) held \$4,000,000 in cash from the Foundation representing its initial subscription to the TIFF Absolute Return Pool II that was subsequently made on January 1, 2015.

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
Domestic equity securities:				
Large-cap	5,007,619			5,007,619
Small-cap	2,466,803			2,466,803
Mid-cap	2,616,679			2,616,679
Fixed-income mutual funds	4,098,598			4,098,598
International equity securities:				
Developed markets	9,485,504			9,485,504
Emerging markets	705,205			705,205
World allocation mutual funds	4,975,754			4,975,754
Money market mutual funds	2,617,989			2,617,989
Lignite mining interests			\$ 2,065,078	2,065,078
Real estate investment trust funds	96,643			96,643
Exchange-traded bond funds	474,550			474,550
U. S. Treasury securities		\$ 2,944,107		2,944,107
Asset-backed securities		1,817,844		1,817,844
Commodity exchange-traded funds	<u>1,659,099</u>			<u>1,659,099</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>

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

- *Exchange-traded funds, equity securities, and real estate investment trust funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the net asset value of shares held at year end.
- *TIFF Absolute Return Pool* is valued at net asset value as provided by the fund management and supported by the audited financial statements.
- *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.
- *Lignite mining interests* are valued at a contracted rate per ton applied to the estimated production plans for certain units of the mine provided by the mining company.

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

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

Changes in Level 3 assets measured at fair value during the years ended December 31, 2014 and 2013 are as follows:

	TIFF ABSOLUTE RETURN POOL	LIGNITE MINING INTERESTS	TOTAL
Balance at December 31, 2012		\$ 3,249,479	\$ 3,249,479
Depletion related to current year production distributions		(1,248,333)	(1,248,333)
Change in valuation of future production streams		<u>63,932</u>	<u>63,932</u>
Balance at December 31, 2013		2,065,078	2,065,078
Depletion related to current year production distributions		(461,703)	(461,703)
Change in valuation of future production streams		(53,040)	(53,040)
Purchase	<u>\$ 4,000,000</u>		<u>4,000,000</u>
Balance at December 31, 2014	<u>\$ 4,000,000</u>	<u>\$ 1,550,335</u>	<u>\$ 5,550,335</u>

### NOTE 3 – 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 payable balance was \$1,750,000 at December 31, 2013 and repaid during 2014.

### NOTE 4 – INVESTMENT RETURN

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

	<u>2014</u>	<u>2013</u>
Net realized and unrealized gain	\$ 516,245	\$ 5,630,256
Interest and dividends	1,810,138	1,358,435
Royalty income	<u>4,463,035</u>	<u>3,988,487</u>
Total investment return	<u>\$ 6,789,418</u>	<u>\$ 10,977,178</u>



## NOTE 5 – PROPERTY

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

	<u>2014</u>	<u>2013</u>
Episcopal Diocesan Center in Austin	\$ 1,323,050	\$ 1,323,050
Accumulated depreciation	<u>(417,756)</u>	<u>(341,396)</u>
Leasehold improvements, net	905,294	981,654
Land held for future missions	<u>64,506</u>	<u>          </u>
Property, net	<u>\$ 969,800</u>	<u>\$ 981,654</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 by the Foundation to the Diocese for use as the Diocesan Center in Austin for annual rent of approximately \$60,000 through 2029. Rental income recognized in 2014 and 2013 from the Diocese was approximately \$60,000.

Rental income from the Diocese at December 31, 2014 is expected to be received as follows:

2015	\$ 59,616
2016	59,616
2017	59,616
2018	59,616
2019	59,616
Thereafter	<u>566,352</u>
Total	<u>\$ 864,432</u>

## NOTE 6 – GRANTS PAYABLE

Grants payable to related entities as of December 31, 2014 are expected to be paid as follows:

2015	\$ 805,000
2016	<u>10,000</u>
Total grants payable	815,000
Discount to net present value at approximately 1%	<u>(3,446)</u>
Grants payable, net	<u>\$ 811,554</u>

The Foundation has made approximately \$820,000 in grants to related entities that are conditional and have not been recognized as grants payable in these financial statements as of December 31, 2014.

## NOTE 7 – COMMITMENTS

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

#### NOTE 8-SUBSEQUENTEVENTS

Management has evaluated subsequent events tlrough May 27, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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

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

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

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

Supplemental Statement of Financial Position by Fund as of December 31, 2013

	COFFIELD INCOME FUND	COFFIELD PRINCIPAL FUND	MEMORIAL FUND	TOTAL
ASSETS				
Cash equivalents	\$ 838,803			\$ 838,803
Investment income receivable		\$ 875,261		875,261
Note receivable from Bishop Quin Foundation		1,750,000		1,750,000
Investments		54,120,869	\$ 307,610	54,428,479
Property, net		981,654		981,654
Interfund receivable (payable)	<u>1,376,849</u>	<u>(1,376,849)</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 to other Diocesan entities	\$ 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 Activities by Fund for the year ended December 31, 2014

	COFFIELD INCOME FUND	COFFIELD PRINCIPAL FUND	MEMORIAL FUND	TOTAL
REVENUE:				
Investment return	\$ 2,248,785	\$ 4,537,037	\$ 3,596	\$ 6,789,418
Interest on note receivable from The Bishop Quin Foundation		14,375		14,375
Rent income	<u>60,116</u>	<u></u>	<u></u>	<u>60,116</u>
Total revenue	<u>2,308,901</u>	<u>4,551,412</u>	<u>3,596</u>	<u>6,863,909</u>
EXPENSES:				
Program grants:				
Related entities	1,814,338		12,369	1,826,707
Unrelated entities	<u>252,636</u>	<u></u>	<u></u>	<u>252,636</u>
Total program grants	<u>2,066,974</u>	<u></u>	<u>12,369</u>	<u>2,079,343</u>
Supporting services:				
Mineral interest and production expenses	525,464			525,464
Investment management costs	297,580			297,580
Diocesan operating entities – administrative services	157,613			157,613
Depreciation		76,360		76,360
Other administrative	<u>39,413</u>	<u></u>	<u></u>	<u>39,413</u>
Total supporting services	<u>1,020,070</u>	<u>76,360</u>	<u></u>	<u>1,096,430</u>
Total expenses	<u>3,087,044</u>	<u>76,360</u>	<u>12,369</u>	<u>3,175,773</u>
Interfund transfers	<u>1,073,140</u>	<u>(1,073,140)</u>		
CHANGES IN UNRESTRICTED NET ASSETS	294,997	3,401,912	(8,773)	3,688,136
Unrestricted net assets, beginning of year	<u>1,739,685</u>	<u>56,350,935</u>	<u>307,610</u>	<u>58,398,230</u>
Unrestricted net assets, end of year	<u>\$ 2,034,682</u>	<u>\$ 59,752,847</u>	<u>\$ 298,837</u>	<u>\$ 62,086,366</u>

**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

	COFFIELD INCOME FUND	COFFIELD PRINCIPAL FUND	MEMORIAL FUND	TOTAL
<b>REVENUE:</b>				
Investment return	\$ 1,967,485	\$ 8,975,911	\$ 33,782	\$ 10,977,178
Interest on note receivable from The Bishop Quin Foundation		43,750		43,750
Rent income	<u>59,829</u>	<u></u>	<u></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>
<b>EXPENSES:</b>				
Program grants:				
Related entities	1,509,749		12,621	1,522,370
Unrelated entities	<u>207,242</u>	<u></u>	<u></u>	<u>207,242</u>
Total program grants	<u>1,716,991</u>	<u></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
Depreciation		76,360		76,360
Other administrative	<u>28,594</u>	<u></u>	<u></u>	<u>28,594</u>
Total supporting services	<u>982,913</u>	<u>76,360</u>	<u></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>		
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
	1,008,972	7,261,739	21,161	8,291,872
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>

Great Commission Foundation

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

Financial Statements  
and Independent Auditors' Report for the year  
ended December 31, 2014 and for the period  
from April 26, 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 statements of financial position as of December 31, 2014 and 2013 and the related statements of activities and of cash flows for the year ended December 31, 2014 and for the period from April 26, 2013 through December 31, 2013, and the related notes to the financial statements.

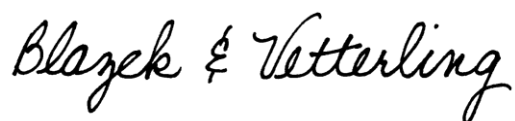
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion** – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Great Commission Foundation as of December 31, 2014 and 2013 and the changes in its net assets and its cash flows for the year ended December 31, 2014 and for the period from April 26, 2013 through December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.



May 27, 2015



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

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 345,313	\$ 385,000
Prepaid and other receivables	105,083	49,345
Investments ( <i>Note 2</i> )	84,337,593	98,935,596
Land held for sale ( <i>Note 2</i> )	2,565,218	
Receivable from Episcopal Health Foundation ( <i>Note 3</i> )	23,491,145	26,946,923
Note receivable from Church Corporation ( <i>Note 4</i> )	6,500,000	
Land and improvements	<u>3,536,905</u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><b>\$ 120,881,257</b></u>	<u><b>\$ 126,316,864</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 122,793	\$ 57,354
Construction payables	386,745	
Grants payable to parishes, missions and schools, net	250,000	
Grants payable to EDOT Financial Services Corporation	<u>                    </u>	<u>5,000,000</u>
Total liabilities	759,538	5,057,354
Unrestricted net assets	<u>120,121,719</u>	<u>121,259,510</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 120,881,257</b></u>	<u><b>\$ 126,316,864</b></u>

See accompanying notes to financial statements.

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

Statements of Activities for the year ended December 31, 2014 and for the period from  
April 26, 2013 through December 31, 2013

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	<u>2014</u>	<u>2013</u>
REVENUE:		
Support from Diocesan operating entities:		
Episcopal Health Foundation	\$ 5,530,427	\$ 125,881,923
The Bishop Quin Foundation	70,875	
Episcopal Diocese of Texas	30,969	
Contributions	62,166	
Investment return ( <i>Note 2</i> )	(123,358)	605
Transfer of funds from Episcopal Diocese of Texas		<u>398,216</u>
Total revenue	<u>5,571,079</u>	<u>126,280,744</u>
EXPENSES:		
Program expenses:		
Grants of land and buildings to a parish	4,764,771	
Mission outreach and service	1,204,126	
Grants to parishes and church planting program	531,498	
Grant to EDOT Financial Services Corporation		5,000,000
Management and general	<u>208,475</u>	<u>21,234</u>
Total expenses	<u>6,708,870</u>	<u>5,021,234</u>
CHANGES IN UNRESTRICTED NET ASSETS	(1,137,791)	121,259,510
Unrestricted net assets, beginning of year	<u>121,259,510</u>	<u>0</u>
Unrestricted net assets, end of year	<u>\$ 120,121,719</u>	<u>\$ 121,259,510</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows for the year ended December 31, 2014 and for the period from  
April 26, 2013 through December 31, 2013

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ (1,137,791)	\$ 121,259,510
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Grants of land and buildings to a parish	4,764,771	
Gain on valuation of receivable from Episcopal Health Foundation	(530,427)	
Net realized and unrealized loss on investments	2,082,365	
Changes in operating assets and liabilities:		
Receivable from Episcopal Health Foundation	3,986,205	(26,946,923)
Prepaid and other receivables	(55,738)	(49,345)
Accounts payable and accrued expenses	65,439	57,354
Grants payable to parishes, missions and schools	250,000	
Grants payable to EDOT Financial Services Corporation	<u>(5,000,000)</u>	<u>5,000,000</u>
Net cash provided by operating activities	<u>4,424,824</u>	<u>99,320,596</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(171,954,086)	
Proceeds from sales of investments	90,128,107	
Net change in money market mutual funds held as investments	94,341,617	(98,935,596)
Purchases of land and improvements	(7,914,931)	
Purchases of land held for sale	(2,565,218)	
Advance on note receivable from Church Corporation	<u>(6,500,000)</u>	
Net cash used by investing activities	<u>(4,464,511)</u>	<u>(98,935,596)</u>
<b>NET CHANGE IN CASH</b>	(39,687)	385,000
Cash, beginning of year	<u>385,000</u>	<u>0</u>
Cash, end of year	<u>\$ 345,313</u>	<u>\$ 385,000</u>

*See accompanying notes to financial statements.*

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

Notes to Financial Statements for the year ended December 31, 2014 and for the period from  
April 26, 2013 through December 31, 2013

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

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

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

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

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

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

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

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

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

Land held for sale is reported at fair value.

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

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

Net asset classification – Contributions 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.

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

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

## **NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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

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

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *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, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
International equity mutual funds:				
Emerging markets	\$ 8,155,559			\$ 8,155,559
Large core	5,174,490			5,174,490
Large value	5,159,776			5,159,776
Small core	2,430,139			2,430,139
Domestic equity mutual funds:				
Large core index	6,376,644			6,376,644
Large value index	3,221,133			3,221,133
Large growth index	3,215,667			3,215,667
Small value index	2,047,139			2,047,139
Small growth index	2,040,746			2,040,746
Domestic bond mutual funds:				
High yield	7,180,894			7,180,894
Core bond	3,884,672			3,884,672
Inflation-protected	3,083,808			3,083,808
Global real estate mutual funds	8,162,798			8,162,798
Commodity mutual funds	7,498,530			7,498,530
International bond mutual funds	5,479,245			5,479,245
Money market mutual fund	4,593,979			4,593,979
Master limited partnership mutual fund	4,483,666			4,483,666
Master limited partnership mutual fund	<u>2,148,708</u>			<u>2,148,708</u>
Total investments	84,337,593			84,337,593
Land held for sale		\$ 2,565,218		<u>2,565,218</u>
Total assets measured at fair value	<u>\$ 84,337,593</u>	<u>\$ 2,565,218</u>	<u>\$ 0</u>	<u>\$ 86,902,811</u>

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 fund	<u>\$ 98,935,596</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,935,596</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* is 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 the Foundation believes its valuations methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

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

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

Interest and dividends	\$ 2,108,774
Net realized and unrealized loss	(2,082,367)
Investment management fees	<u>(149,765)</u>
Total investment return	<u>\$ (123,358)</u>

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

In 2013, EHF committed to contribute to the Foundation amounts due to be received as follows at December 31, 2014:

2015	\$ 4,017,548
2016-2019	<u>20,970,190</u>
Total receivable	24,987,738
Discount to net present value at 2.45%	<u>(1,496,593)</u>
Receivable from EHF, net	<u>\$ 23,491,145</u>

### **NOTE 4 – NOTE RECEIVABLE FROM CHURCH CORPORATION**

During 2014, the Foundation entered into a note agreement with Church Corporation totaling \$6,500,000 to pay debt incurred in connection with the acquisition of real property to support the missionary and church planting strategies of the Diocese. The note is non-interest bearing and will be repaid with the proceeds from sales of land and buildings that are no longer being used as church sites and for which the Foundation did not provide the funding for the purchase of the property. After the note is repaid, Church Corporation is further obligated to pay 50% of the proceeds of sales of churches not funded by the Foundation to the Foundation. All proceeds from sales of property paid for by the Foundation will be paid to the Foundation.

### **NOTE 5 – RETIREMENT PLANS**

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

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

The Foundation recognizes its assessments in the period that the related services are provided by the clergy. During 2014, the Foundation recognized assessments to the Plan totaling approximately \$167,000. No assessments were recognized during the period ended December 31, 2013.

The funding positions of the Plan as of March 31, 2013 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.

Net assets available for pension benefits – after amount designated	
for assessment deficiencies	\$8,643,159,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(5,821,173,000)</u>
Surplus	<u>\$2,821,986,000</u>

#### **NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 27, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.



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

Financial Statements  
and Independent Auditors' Report for  
the year ended December 31, 2014 and  
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 statements of financial position as of December 31, 2014 and 2013 and the related statements of activities and of cash flows for the periods then ended, and the related notes to the financial statements.

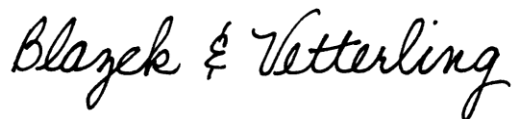
**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance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

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

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

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

**Opinion** – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Health Foundation as of December 31, 2014 and 2013 and the changes in its net assets and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.



September 3, 2015

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

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents ( <i>Notes 3 and 5</i> )	\$ 12,444,799	\$ 7,932,659
Investment income receivable and other assets	53,521	969,458
Interest receivable on note receivable	5,676,769	6,211,111
Note receivable, net ( <i>Note 2</i> )	214,224,524	244,000,000
Investments ( <i>Notes 4 and 5</i> )	917,017,915	875,885,250
Property, net ( <i>Note 6</i> )	<u>9,827,080</u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><b>\$1,159,244,608</b></u>	<u><b>\$1,134,998,478</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 85,460	\$ 296,057
Grants payable ( <i>Note 7</i> )	3,883,312	
Grant payable to The Great Commission Foundation ( <i>Note 7</i> )	<u>23,491,145</u>	<u>26,946,923</u>
Total liabilities	<u>27,459,917</u>	<u>27,242,980</u>
Unrestricted net assets:		
Undesignated	150,192,577	110,978,655
Contractually restricted ( <i>Note 8</i> )	<u>981,592,114</u>	<u>996,776,843</u>
Total unrestricted net assets	<u>1,131,784,691</u>	<u>1,107,755,498</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$1,159,244,608</b></u>	<u><b>\$1,134,998,478</b></u>

See accompanying notes to financial statements.

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

Statements of Activities for the year ended December 31, 2014 and for the period from  
March 27, 2013 through December 31, 2013

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	<u>2014</u>	<u>2013</u>
REVENUE:		
Revenue from transfer agreement ( <i>Note 2</i> )		\$1,244,004,044
Investment return ( <i>Note 4</i> )	\$ 35,600,980	55,530,498
Partnership income ( <i>Note 4</i> )	(3,644,197)	
Interest on note receivable ( <i>Note 2</i> )	9,552,232	6,211,111
Other revenue	<u>57,036</u>	<u>163,016</u>
Total revenue	<u>41,566,051</u>	<u>1,305,908,669</u>
EXPENSES:		
Grants made ( <i>Note 7</i> )	13,723,754	185,874,135
Program management	833,311	966,865
Other programs	<u>1,158,091</u>	<u>                    </u>
Total program	15,715,156	186,841,000
Supporting services:		
Diocesan operating entities – administrative services	520,358	116,296
Other management and general	<u>1,301,344</u>	<u>545,875</u>
Total supporting services	1,821,702	662,171
Transaction costs for asset transfers	<u>                    </u>	<u>10,650,000</u>
Total expenses	<u>17,536,858</u>	<u>198,153,171</u>
CHANGES IN UNRESTRICTED NET ASSETS	24,029,193	1,107,755,498
Unrestricted net assets, beginning of year	<u>1,107,755,498</u>	<u>0</u>
Unrestricted net assets, end of year	<u>\$1,131,784,691</u>	<u>\$1,107,755,498</u>

*See accompanying notes to financial statements.*

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

Statements of Cash Flows for the year ended December 31, 2014 and for the period from  
March 27, 2013 through December 31, 2013

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 24,029,193	\$1,107,755,498
Adjustments to reconcile changes in unrestricted net assets to net cash provided (used) by operating activities:		
Depreciation	138,741	
Net realized and unrealized gain on investments	(30,466,817)	(47,521,282)
Partnership loss	3,644,197	
Contribution of note receivable		(244,000,000)
Changes in operating assets and liabilities:		
Investment income receivable and other assets and interest receivable on note receivable	1,450,279	(7,180,569)
Accounts payable and accrued expenses	(210,597)	296,057
Grants payable	3,883,312	
Grant payable to The Great Commission Foundation	<u>(3,455,778)</u>	<u>26,946,923</u>
Net cash provided (used) by operating activities	<u>(987,470)</u>	<u>836,296,627</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments received on note receivable	29,775,476	
Purchases of investments	(154,524,439)	(666,487,462)
Change in money market mutual funds held as investments	140,214,394	(161,876,506)
Purchases of property	<u>(9,965,821)</u>	<u></u>
Net cash provided (used) by investing activities	<u>5,499,610</u>	<u>(828,363,968)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,512,140</b>	<b>7,932,659</b>
Cash and cash equivalents, beginning of period	<u>7,932,659</u>	<u>0</u>
Cash and cash equivalents, end of period	<u>\$ 12,444,799</u>	<u>\$ 7,932,659</u>

*See accompanying notes to financial statements.*

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

Notes to Financial Statements for the year ended December 31, 2014 and for the period from March 27, 2013 through December 31, 2013

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

Organization – The Episcopal Health Foundation (EHF), a Texas nonprofit corporation, was created on March 27, 2013. 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 were transferred to EHF.

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

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

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

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

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

Note receivable is reported at estimated net realizable value. Allowances for note 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 EHF will not collect all principal and interest amounts due under the terms of the agreement. It is possible that management's estimate regarding the collectability of this balance will change in the near term resulting in a change in the carrying value of the receivable. At December 31, 2014, all known impairments of the note receivable have been reserved in the allowance for loan losses.

Investments 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.

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

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

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

Grants are recognized as expense at fair value when EHF approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash 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.

Recent pronouncement – In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculated Net Asset Value per Share (or Its Equivalent)*. The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the practical expedient. The ASU further removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the practical expedient. This ASU is effective for annual periods beginning after December 15, 2016. The Foundation does not expect the adoption of the ASU to have a material effect on its financial statements.

## **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 an allowance for potential loss of approximately \$16,000,000.

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

## **NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2014</u>	<u>2013</u>
Bank deposits	\$ 290,143	\$ 758,894
Money market mutual funds	<u>12,154,656</u>	<u>7,173,765</u>
Total cash and cash equivalents	<u>\$ 12,444,799</u>	<u>\$ 7,932,659</u>

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

## **NOTE 4 – INVESTMENTS AND INVESTMENT RETURN**

Investments consist of the following:

	<u>2014</u>	<u>2013</u>
Investment in EH Investment Fund, L.P.	\$ 895,355,803	
Money market mutual funds	21,662,112	\$ 161,876,506
Exchange-traded funds		664,856,634
Real estate mutual funds		<u>49,152,110</u>
Total investments	<u>\$ 917,017,915</u>	<u>\$ 875,885,250</u>



EH Investment Fund, L.P. (the Fund) is a Delaware limited partnership that was created on June 1, 2014. HCP EHF Management LLC (General Partner), a U. S. Securities and Exchange Commissions registered advisor and wholly owned subsidiary of Hall Capital Partners LLC, is the General Partner to the Fund. There are two limited partners: Episcopal Health Foundation and Bishop Quin Foundation. As of December 31, 2014, EHF had a 99.89% interest in the Fund and Bishop Quin had a .11% interest. The Fund is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of EHF over full market cycles of seven to ten years. The Fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the Fund will invest in include: global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed-income, and cash and cash equivalents. At any given time, one third of the Fund's portfolio assets can be liquidated within a thirty-day time window. Redemptions are allowed at the end of each month within 10 days prior written notice. There are no unfunded commitments at December 31, 2014.

At December 31, 2014, the assets of the Fund were invested as follows:

Portfolio funds: (a)	
Absolute return	28.1%
Equity strategies	14.4%
Equity hedge	7.1%
Private equity	2.4%
Marketable securities:	
Common stock	15.3%
Exchange-traded funds	8.4%
Foreign depository receipts	1.0%
Global stock and hard asset mutual funds	15.3%
Cash and cash equivalents	<u>8.0%</u>
Total Fund investment allocation	<u>100.0%</u>

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

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

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

### *Investment Return and Partnership Income*

Investment return for the year ended December 31, 2014 and for the period from March 27, 2013 through December 31, 2013 includes earnings on cash and cash equivalents and consists of the following:

	<u>2014</u>	<u>2013</u>
Net realized and unrealized gain	\$ 30,466,817	\$ 47,521,282
Interest and dividends	5,373,819	8,186,264
Investment management fees	<u>(239,656)</u>	<u>(177,048)</u>
Total investment return	<u>\$ 35,600,980</u>	<u>\$ 55,530,498</u>

Income from investment in the Fund for the year ended December 31, 2014 consists of the following:

Realized and unrealized loss	\$ (9,533,664)
Interest and dividends	9,198,821
Investment management and incentive fees	(2,920,780)
Other expenses	<u>(388,574)</u>
Total partnership loss	<u>\$ (3,644,197)</u>

### **NOTE 5 – FAIR VALUE MEASUREMENTS**

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

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs, which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are valued at net asset value as determined by the issuer or investment manager based upon the fair value of the underlying securities established and redeemable at the end of each month.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability. Inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment. The types of investments in Level 3 include funds where the fair value for portfolio investments is estimated by the general partner using valuation methodologies that consider a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment. 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, 2014 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
EH Investment Fund, L.P.			\$ 895,355,803	\$ 895,355,803
Money market mutual funds	<u>\$ 21,662,112</u>			<u>21,662,112</u>
Total investments	21,662,112		895,355,803	917,017,915
Money market mutual funds held as cash equivalents	<u>12,154,656</u>			<u>12,154,656</u>
Total assets measured at fair value	<u>\$ 33,816,768</u>	<u>\$ 0</u>	<u>\$ 895,355,803</u>	<u>\$ 929,172,571</u>

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:

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

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

Changes in the fair value of the Level 3 investments consist of the following:

Balance at January 1, 2014	\$ 0
Investment in EH Investment Fund, L.P.	899,000,000
Partnership income	<u>(3,644,197)</u>
Balance at December 31, 2014	<u>\$ 895,355,803</u>

Realized and unrealized gains and losses on Level 3 investments are included in partnership income in the accompanying statements of activities and disclosed in Note 4.

#### *Fair Value of Financial Instruments*

The carrying value of EHF's other significant financial instruments including cash, note receivable, and grants payable approximates fair value at December 31, 2014 and 2013.

### **NOTE 6 – PROPERTY**

Property at December 31, 2014 is comprised of the following:

Land	\$ 750,000
Buildings and improvements	<u>9,215,821</u>
Total property and equipment, at cost	9,965,821
Accumulated depreciation	<u>(138,741)</u>
Property and equipment, net	<u>\$ 9,827,080</u>

### **NOTE 7 – GRANTS PAYABLE**

At December 31, 2014, grants approved and committed for future payments are payable as follows:

	<u>GCF</u>	<u>OTHER</u>	<u>TOTAL</u>
2015	\$ 4,017,548	\$ 981,936	\$ 4,999,484
2016	4,017,548	751,275	4,768,823
2017	4,017,548	718,047	4,735,595
2018	4,017,548	800,668	4,818,216
2019	4,017,548	631,386	4,648,934
Thereafter	<u>4,900,000</u>	<u>                    </u>	<u>4,900,000</u>
Total grants payable	24,987,740	3,883,312	28,871,052
Discount to net present value at 2.45%	<u>(1,496,595)</u>	<u>                    </u>	<u>(1,496,595)</u>
Grants payable, net	<u>\$ 23,491,145</u>	<u>\$ 3,883,312</u>	<u>\$ 27,374,457</u>

During the period ending December 31, 2013, EHF granted \$125,881,923 to GCF with certain amounts to be paid over a 7-year period. During 2014, EHF reimbursed GCF \$5.0 million for clergy health insurance costs. EHF has provided grants to related Diocesan entities totaling approximately \$4,791,000 in 2014 and \$700,000 in 2013.

## **NOTE 8 – CONTRACTUALLY RESTRICTED NET ASSETS**

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

Contractually restricted net assets, March 27, 2013	\$
0	
Revenue from transfer agreement	1,057,400,000
Expenditure of funds for restricted purposes	<u>(60,623,157)</u>
Contractually restricted net assets, December 31, 2013	996,776,843
Expenditure of funds for restricted purposes	<u>(15,184,729)</u>
Contractually restricted net assets, December 31, 2014	<u>\$ 981,592,114</u>

## **NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 3, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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## **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 seven 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. Anthem Blue Cross Blue Shield PPO 70 Silver Plan
6. Anthem Blue Cross Blue Shield High Deductible Health Plan 40
7. 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 5% for 2016. This increase is less than the average for premium increases across the United States. Due to the anticipated Cadillac tax that will become effective in 2018, two new plans were introduced in 2016 so that staff and administrators at our schools and parishes will have time to familiarize themselves with the plan arrays that will be available in the future. Our Insurance Task Force will be meeting in early 2016 to look at these changes in more detail and be ready to make recommendations to the Executive Board prior to 2018.

As a reminder, in September, 2013 the Executive Board voted that all clergy joining the Diocese after December 31, 2014 would receive only single coverage for themselves. By terminating family coverage for those clergy hired after January 1, 2015, the Diocese has now fully implemented parity between clergy and lay health insurance coverage.

As in 2015, the Diocese will be provided with \$5 million in 2016 to offset its health care costs through the generosity of the Episcopal Health Foundation. These funds will allow the Executive Board to continue the significantly reduced insurance assessment on the parishes.

Please either call or email Debra Klinger, Human Resources/Benefits Administrator, at 713-353-2120 or 1-800-318-4452, ext. 2120, [dklinger@epicenter.org](mailto: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](mailto: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 for the year ended March 31, 2015 were over \$11.68 billion representing an increase of over \$495 million from last year. These assets are in excess of the required reserves by over \$1.28 billion. The Fund investments returned more than 8% during this fiscal year. The Pension Fund paid out a total of \$360 million in pensions and other benefits during fiscal 2015.

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

<u>Beneficiaries</u>		<u>2015</u>	<u>2014</u>
Retired Clergy			
Normal Retirement	3,831	3,735	
Early Retirement		3,604	3,585
Disability Retirement		452	461
Surviving Spouses		<u>2,650</u>	<u>2,607</u>
<b>TOTAL</b>		<b>10,537</b>	<b>10,388</b>

As the number of retirees increases in every diocese, the Church Pension Fund, through its Ministry to the Retired, is available to assist Chaplains designated by our Bishop in the ministry established in our diocese. Through personal contact and educational services, they are willing to assist the Chaplains in interpreting pension benefits as well as introduce proven programs for ministry to and with the retired. The Church Pension Fund, in conjunction with the Diocese, provides training to enhance the pastoral ministry of these chaplains. The Church Pension Fund's department of Pastoral Care and Education continues to offer Planning for Tomorrow Conferences, presented in each diocese every five years.

Church treasurers should be aware that 30% of the 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 34<sup>th</sup> 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](mailto: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](mailto:JScheffler@cpg.org). You may also contact David Fisher in our offices at 713-353-2109 or [dfisher@epicenter.org](mailto:dfisher@epicenter.org).

Robert J. Biehl, Chair

## **VIII. COMMITTEES AND BOARDS CREATED BY CANON**

### **AUSTIN CONVOCATION**

In 2015, 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. 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.



## **Plans for 2016**

Beginning in the spring of 2016, 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. Saint John's-Austin will serve as the Convening Congregation of the Central Deanery, with its rector, the Rev. Matt Seddon serving as its Convening Cleric.

### **Reporting to Council in 2017**

Encouraged by Bishop Doyle to test this reorganization in service of our Convocation's stated goals to increase participation and enhance collaboration, we look forward to reporting our experience to the 2017 Council.

Morgan S. Allen, Dean

## **CENTRAL CONVOCATION**

For the Central Convocation 2015 was a year of growth and loss. Most recently the clergy and people of the convocation, along with the rest of the Diocese of Texas, were saddened by the death of the Rev. Rhoda Montgomery, the rector of Saint Thomas' Episcopal Church, College Station. She was loved by many in the convocation and throughout the diocese. Her leadership, energy, and great sense of humor will be missed. Rhoda's assistant the Rev. Jim Said, and Deacon Mary Lenn Dixon continue to minister to and with the people of Saint Thomas'.

This year Saint Andrew's, Bryan worked to expand its ministry in Bryan. Though members live throughout Brazos County Saint Andrew's focused some of its work this year on its downtown neighborhood by expanding its relationship with Neal Elementary School and participating in downtown community events. For many year's Saint Andrew's has had a scholarship program that awards \$1000 scholarships to eight fifth graders at Neal which they will receive upon graduating from high school. This year

Neal and Saint Andrew's worked together to create clothes closet and a mentoring program for at-risk students. Saint Andrew's is also participating more in downtown events such as First Friday. Saint Andrew's hosted a Scarecrow Stroll, and will have a Christmas carol sing after the downtown Christmas parade in December. In addition the rector, the Rev. Daryl Hay, has developed a group Lay Pastoral Assistants to provide pastoral care to the members of the congregation through visits, phone calls, cards, and emails when members are experiencing illness, hospitalization, grief, or other life transitions.

St. Bartholomew's, Hempstead has enjoyed a busy year. In March the Vestry called The Reverend E. Wendy Huber to serve as the new Rector. Wendy brings experience as a former executive in large non-profit organizations and as a nationally recognized expert in dispute management and resolution. She was the Rector at St. John's, Marlin for the past 5 years. The work of assessing their gifts and strengths is underway at St. Bartholomew's and they are experimenting with several new types of ministry. Saint Bartholomew's started a Yoga Eucharist (body prayers with Eucharist) on Tuesday evenings. They have a newsletter editor who was also showing the Grand Champion Turkey at the Waller County Fair where the congregation all attended to cheer him on. They have a class of 4 to be confirmed after the first of the year and many are returning to church after trying it out. The congregation been mourning the death of Sandra Bland in their community and have weathered the negative national publicity of this tragic event and the implications for Hempstead. They are continuing to be mindful of the importance of reconciliation and understanding in their church and community. They are also implementing The Traveling Altar Project ("TAP") and will begin in their own community playground which is located in the block next to the church. Saint Bartholomew's looks forward to a bright future as they continue to assess their talents and identify the needs of the community.

The Episcopal Student Center at Texas A&M has grown and thrived under the leadership of the Rev. Matt Wise. Matt has accepted a call to serve as an assistant rector at Saint Mark's Episcopal Church in San Antonio.

At Saint John's, Columbus the Rev. Elizabeth Dowell was ordained to the priesthood and continues to serve as Saint John's pastoral leader.

Third year Iona School student Nandra Perry continues to serve as the Pastoral Leader Intern for Saint Philip's, Hearne. The congregation hosted a Vacation Bible School, started a Jr. Daughters of the King Chapter, and once again hosted a Saint Francis' Day pet blessing. The congregation has grown from 2 people in 2014 to 20 this year.

Daryl T. Hay, Dean

### **GALVESTON CONVOCATION**

The clergy of the Galveston Convocation meet the first Wednesday of each month for lunch, fellowship, and programs chosen by the clericus. Dr. Gerry DeSobe continues to skillfully facilitate our sessions which are held in the geographic middle of our large convocation at Holy Trinity in Dickinson. July, the 7<sup>th</sup> month of the year, continues to be our Sabbath month during which take a break from gathering.

Some changes within the churches of the Galveston Convocation in 2015 include:

St. Thomas in Nassau Bay: The Rev. Bill Hyde, rector, retired.

St. Thomas in Nassau Bay: The Rev. Mike Stone accepted a call to be rector.

St. Christopher in League City: The Rev. Viktoria Gotting's last Sunday as Associate Rector was Nov. 22 in order to accept the call to be new rector of St. John's in LaPorte.

Our programming in 2015 included presentations with discussions by The Rev. Jim Liberatore on missional communities; The Rev. Susan Kennard on General Convention; The Rev. Mike Gemignani on the Rivendell Community, one of 11 canonically recognized Christian communities in the Episcopal Church; The Rev. Canon Kai Ryan on the role of alcohol in church life; Lisa Madry from the Episcopal Health Foundation.

Recognizing the value of sharing our church and personal "best practices" as well as leadership conundrums, we dedicated portions of our time together for facilitated discussions around and explorations into a diversity of areas.

FROM ST. CHRISTOPHER, LEAGUE CITY.

St. Christopher in League City has been a church with its eyes on mission. 2015 was another year filled with opportunities for the spread and strengthening of The Kingdom. The year began with one of our young adults, Hollie Martinez, representing the Episcopal Church at the United Nations Conference in New York City. The conference brought women together from all over the world to report and discuss how women are viewed and treated in varying cultures and nations.

Our Annual "Son" Rise service was held at the Boardwalk in Kemah for the 15<sup>th</sup> year on Easter morning. Over 550 people from the community were in attendance. We continue to support our community by providing over 1,000 pounds of fresh fruits and vegetables from our Community Garden each year. Plans for expanding the program are under way. Our Thrift Store also funnels from \$25,000 to \$35,000 a year back into local organizations who serve the poor, the battered, and the underserved. Our Annual Community BBQ & Festival also directs \$12,000 to \$15,000 each year back into the community to help organizations serve those in need. Our Mother's Day Out Program gives local mothers the opportunity place their children in a loving, educational environment two days a week.

Our Outreach and Mission extends beyond our local community. Kairos was just introduced to our congregation this year, and we are growing in our understanding of serving those who are in prison. Our Jr. High Youth traveled to San Antonio to spend a week working in a variety of ministries during the day and worshiping with other churches in the evening. The Sr. High Youth spent a week of their summer in New Orleans learning what it means to serve others who are in need. Many of our adults and teenager spent a week ministering to the kids who attended summer camp at Camp Allen.

Our focus on Mission also reaches beyond the borders of our country. We have been communicating, working with, and serving several Outpost missions in Southern Malawi for several years. We not only pray for they missions in Malawi Parish every Sunday, but we are working with local church and village leaders to help build up and advance the care and education of the children in those villages. Capital Campaign Pledges are tithed to mission work and Malawi Parish is one of the recipients. We have also been working with Living Water International for several years, and in 2015, St. Christopher sponsored its second water well in Nicaragua and also sent its fourth team

of parishioners to Nicaragua to not only drill the well, but also to teach villagers about proper sanitation and health, and then in the evenings, share the gospel message with the entire village. Also in 2015, our first Adult Mission Team to Honduras established a relationship with St. James Parish in the remote mountains of the country. Important work was started which will help promote health care in many towns and villages in Honduras.

We are thankful for the opportunities to serve our God in so many different and exciting ways.

#### FROM ST. THOMAS THE APOSTLE, NASSAU BAY

St. Thomas the Apostle Episcopal Church and School in Nassau Bay daily welcomes all for worship, service, and learning. Weekly, our activities fall into the four aspects of our mission:

##### Worship:

- After our Wednesday activities, we have sung compline by candlelight. Fr. Stone conducts two chapel services for the school each week, one of which is a Eucharist. On Sundays, we have a Rite One service at 8:00 a.m. and a Rite Two service at 10:30 a.m.
- The Daughters of the King pray daily for our parish and the world at large.
- The Brotherhood of St. Andrew meets weekly for prayer, study, and to coordinate service for the community

##### Service:

- Since September, parishioners and school families bring nonperishable food items, baby diapers and wipes, soap and toothpaste in St. Thomas recyclable food bags to stock the shelves of Interfaith Caring Ministries. From January until September we collected food items on the first Sunday of each month.

##### Learning:

- The Brotherhood of St. Andrew meets every Saturday morning for bible study.
- Josh Orsak, our youth minister conducts an intergenerational bible study weekly, as well as 2 youth groups on Wednesdays and youth Christian Education on Sunday.
- Fr. Stone holds a Thursday morning bible study and an Adult Christian Education class between services on Sunday every week.

##### Welcome:

- Every Wednesday from September until now we have opportunities to come together as a community in activities such as a potluck suppers, Theology on Tap, and St. Thomas Serves: prayer squares and beads, Pet Blessing Bags, food bags for the homeless, letters to vets and people in need, Thanksgiving bags and decorated Christmas trees for ICM, and wrapping gifts for children in need. Before September we would hold our potluck suppers on the first Wednesday of each month.

St. Thomas is equally busy on a monthly basis. Some of these activities include:

##### Worship:

- Fr. Stone conducts a healing service about one Wednesday evening a month.

Service:

- Great Clothes Out – The Nearly New Resale Shop volunteers take clothes from the shop to St. Vincent's House in Galveston to give away.
- The Beacon – A group of parishioners go downtown to the Dunn Center/Beacon the first Saturday of every month to serve the homeless. They have been doing this since it opened.

Learning:

- DOK Enrichment Hour – Daughters of the King gather to learn, study and pray. They also set up and provide food for funerals and memorial services for the church.

Welcome:

- ECW – The Episcopal Church Women meet quarterly to share a little food and conversation and to distribute funds from the Nearly New Shop. They also complete service projects, and assist the Holy Smokers men's cooking team with side dishes for their events.
- B.L.A.S.T. – A women's dinner group meet monthly at different restaurants for fellowship.

Some of our special events throughout 2015 by month:

- January – Epiphany Pageant and King's Breakfast and Annual Parish Meeting
- February – St. Thomas the Apostle Episcopal School Annual Gala and Auction,, ECW's Italian Dinner, EYC's Super Bowl of Gumbo, Shrove Tuesday Pancake Supper, and Lenten speakers for our Lenten soup and salad suppers
- March – Altar Guild's palm making, Palm Sunday breakfast, international youth and young adult mission trip to England, collection for the Africa Mercy Ship
- April – Habitat for Humanity build, children's Easter Egg Hunt organized by the youth, ECW sponsorship of young woman from St. Christopher's Episcopal Church to the United Nations Conference on the Status of Women
- May – Spring cleanup, Youth Sunday, collect toiletries for the Beacon, school ends
- June – Blood Drive, St. Thomas Vacation Bible School, Jr. High Youth Mission Trip (work for VBS in morning and service projects in afternoons), St. Thomas School Summer at the Lake summer camp (9 weeks), farewell dinner for Interim Rector, Fr. Ken Fields
- July – offered sacristy tours, school and church collect school supplies for local elementary school with high low income population
- August – welcomed our new rector, Fr. Mike Stone, with a breakfast and pounding (pounding collected almost 1100 lbs. of food for St. Vincent's House), DOK Sunday, school begins and adopted weekly Eucharist and weekly presentation-focused chapel
- September – pet food and supplies collection by church and school for Pet Blessing in Oct., UTO collection, ECW had Debbie Johnson speak about outreach, St. Thomas loosed canvas bags for ICM weekly food collection,

Invitation Sunday and beginning of Stewardship Drive, weekly Compline, monthly Theology on Tap, and monthly service night

- October – Annual Family Fun Fest and 5K, Pet Blessing for school and community, weekly Compline, monthly Theology on Tap, monthly Healing Eucharist, and monthly service nights
- November – All Saints' Day breakfast and service, consecration Sunday for ministry and financial pledges, choir participation in and choir director, Garmon Ashby, directs Diocesan Choir Festival, collection of food items and \$10 gift cards for 50 Thanksgiving bags to be given to ICM, decoration of trees of ICM's Christmas Tree Auction, Days for Girls Sew-a-thon, St. Thomas School collection of Thanksgiving food items for local elementary school pantry, Lessons and Carols
- December – Bishop Doyle's visit for baptism, confirmation, and renewal of ministry for St. Thomas and Fr. Stone, St. Thomas the Apostle Episcopal Church and School's 50<sup>th</sup> Anniversary celebration, Christmas services

#### FROM HOLY TRINITY, DICKINSON

Holy Trinity in Dickinson continues to grow in its capacity to "love, serve, and welcome all in the Name of Christ" through worship, service, formation, and fellowship. Outreach to the community is a strong focus of the scenic church by the bayou. New ministries include the inreach ministry of Lay Pastoral Assistants (LPA) developed through The Rev. Viktoria Gotting's gift of presenting the Good Shepherding School at Holy Trinity for 18 candidates, all of whom were commissioned as LPAs. The Junior Daughters of the King led our parish in a diverse lineup of monthly outreach opportunities. A new boys ministry, Heritage of the Son (HOS) was created and meets monthly. A unique missional relationship was formed with a nearby assisted living home for adults who have little or no family and minimal financial resources. It has proven to be a meaningful intergenerational facet of our common life. Our new Children and Youth Commission developed and hosted the Wednesday night Lenten program commencing with snow on the front lawn on a cold, wintery night, thus kicking off a lively intergenerational Lenten season. New staff members in our music and youth ministries, generated excitement, innovation, and increased participation at our beautiful church on the bayou. Together the clergy, staff, and laity at Holy Trinity help each other listen for God's call and guidance to be evermore faithful "doers of the Word" inside and outside our red church doors.

Stacy Stringer, Dean

#### NORTHEAST CONVOCATION

In 2015 I became the new Dean of the Northeast Convocation following a time of faithful service by Kevin Wittmayer. During this year of transition, the Northeast Convocation has had regular meetings at St. Matthews' in Henderson. Thank you Patsy Barham for your faithful service, and for the service of the St. Matthews' community.

We have been visited by Lisa Madry from the Episcopal Health Foundation to orient our convocation on what that organization is about and how they can partner with churches in their local communities.

We met with Carol Petty concerning “Safe Church and more”: What Safe Church looks like, the “new” Wellness and Care ministry, and all of the resources that are in our reach.

We had to cancel out May meeting due to rough weather in the area.

We had an informative meeting with Bishop Doyle to start off the 2015-2016 meeting season.

During this time the Northeast Convocation has been working with the Diocese on what having a facilitator may look like. It is very early on but so far having a facilitator is promising. As Dean I see our goal as a clericus to be one that is to foster a community of clergy committed to Christ and each other.

Mitch Tollett, Dean

### **NORTHWEST CONVOCATION**

Clericus gatherings continue to be well attended and offer clergy in the Northwest Convocation a venue for continuing education and camaraderie. Additionally, these gather offer a time for those in attendance to share ideas, challenges, and blessings of their ministries as well as their personal lives. A brief report on the reporting parishes follows.

#### **Christ Church, Temple**

The Rev. Bill Fowler concluded his ministry as interim rector in Fall 2015, and The Rev. Justin Yawn will begin as rector on November 29, 2015.

#### **Holy Spirit, Waco**

Holy Spirit, Waco set out a theme for 2015: "Renewing the Spirit," and major renewal has taken place. We hired a Director of Youth and Family Ministries and a Music Coordinator and solidified several key volunteer roles as "unpaid staff." We began a master planning process in November, and we look forward to exploring next year's theme, "Strengthen our Family and Welcome People Home," as we become and share God's good news in our part of Waco.

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

The Rev. Ben Maddison has joined the staff in the position of Curate.

#### **St. Francis, Temple**

2015 included a total redevelopment of the preschool (ages 2 year-olds – kindergarten) resulting in a greater than twice the previous year's enrollment and a budget that predicts a surplus. An increasing emphasis on Outreach ministries has brought more members into service to others in the community by providing meals to homeless and low-income individuals and families through the Feed My Sheep ministry, the Backpack Nutritional Program, and the ongoing contributions to the food pantry at Churches Touching Lives for Christ (CTLIC). These are hands-on opportunities that connect the people of St. Francis with others beyond our campus. St. Francis is exploring how it may participate in a new Free Saturday Clinic that is under development by persons associated with Scott & White.

#### **St. John's, Marlin**

The Rev. Wendy Huber has concluded her ministry as priest-in-charge. The Rev. John Wells served as interim during the Summer of 2015.

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

The Rev. Steven Balke was ordained to the priesthood on September 1, 2015 and serves as Curate and College Missioner.

Brad St. Romain, Dean

### **SAN JACINTO CONVOCATION**

The clergy of the San Jacinto Convocation meet the first Wednesday of each month for worship, lunch, and fellowship. Dr. Deborah Lindeen, left as facilitator and now the Clericus is facilitated by Sharon V. Carroll. During our gathers we focus on prayer, encouragement, and support for one another. We have a time of checking in with each other offering a ministry 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 the 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. Brian Tarver is Curate.
- Saint Aden's – Deacon Warren MIEDKE, transferred out of Convocation
- Good Shepherd - The Rev. George McGavern was installed as Rector
- The Rev. Stephen Ferguson retired August 1, 2015

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

Gerald Seveck, Dean

### **SOUTHEAST CONVOCATION**

#### **Holy Trinity, Port Neches**

2015 has been a year of excitement at Holy Trinity. We are in our middle year of a Strategic Mission Grant from the Bishop Quin Foundation. 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 participates with PumpkinPatch USA to host an October Pumpkin Patch as a way to meet and greet people from our communities. This is our second year and we are meeting and welcoming our community neighbors.

Under the steady and faithful leadership of the vestry, we combined our time, creativity, and money to accomplish many projects. Holy Trinity supported our local Jefferson County ministries including Port Cities Rescue Mission, Community Care-Prayer Outreach and Ubi Caritas in Beaumont. The parish also participated in the Angel



Tree project during Advent with 60 gifts bought, wrapped and delivered. In addition to the above outreach projects, we offered many programs for the growth of the parish.

We are trying to stay focused on our world beyond our walls. Proceeds from our annual Chili Dinners on Super Bowl Saturday supported 5 children for Camp Good News. We gave Bibles to our graduates in May. The proceeds from our Pumpkin Patch are given to Community Care-Prayer Outreach Ministries, our local ecumenical service agency in mid-Jefferson County. The "new economic reality" of our times means that there are many people hurting and in need. Where there is great need, there is great opportunity for ministry. Holy Trinity is striving to live into our Matthew 25 mission.

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

I have served as the interim rector at St. Mark's since August, 2014. My last day will be Sunday, November 29. The search process is progressing and hopefully a new rector will be called early next year. The interim has been a stage of transition for St. Mark's, but many ministries and missions of the congregation are thriving. The Annual Chili Supper and Bazaar both last year and this year raised considerable funds in order to support many social ministries in the Beaumont area. The proceeds of our Treasure House also support outreach in our community.

This year we added 11 new members by confirmation and four re-affirmed their baptismal vows. Our youth take an active part in worship as acolytes, servers and readers. Our youth minister, Louise Van Mook, left in August to pursue a graduate degree, but the youth continue to meet and also join the EYC at St. Stephen's for special events.

St. Mark's Church is known for its wonderful worship and music led by Jerome Wells and assisted by Marcia Perrine. The vestry members have served faithfully to ensure the ministry and mission of the congregation have continued unabated during the interim. I would also like to thank the Rev. Dean Calcote for his tireless efforts in serving as the associate rector. Mark Crawford, Interim Rector

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

It's been a busy 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 five different projects all over the city of Beaumont. The Rev. Pat Ritchie has assembled a great team to help. Her committee, Common Mission, is continuing 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.

Our rector, the Rev. Nancy DeForest, who has now been at St. Stephen's for more than 7 years, took a sabbatical this summer. It was a time of refreshment, travel, re-connecting with families and friends, and delighting in all the goodness of our Lord. At the end of the summer we had "Round Up Sunday" as she returned and our people returned home from various locations that they had been to during the summer.

We had our Second Annual "Beatles" Eucharist. This was held during August when Nancy was away, but when the church had a priest cancel at the last minute she was able to "step in" as a surprise to the congregation. What fun!! You wouldn't believe how people related to the "all you need is love" as seen in the gospel and in their music. Other special services included a Healing service prior to Christmas and

an Instructed Eucharist.

Less than a year ago we were able to see the final step of Judge Keith Giblin, raised up from St. Stephen's, being ordained as a bi-vocational priest now serving in Orange. In September of this year another member of our church, Elizabeth Miller, finished her discernment process and started IONA.

We continue to celebrate people who have come into our church by inviting them to the rectory for a Newcomer's Gathering and then periodically have 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. In 2015 we had five Episcopal families move to Beaumont who found their home with us.

We have been blessed with a Strategic Mission Grant for 2015 and have hired a person who has worked on updating our website, tracks attendance weekly and helps us to connect with folks that we haven't seen recently through cards and phone calls.

Godly Play continues to be a real blessing for our young children on Sunday morning. The same story heard Sunday is reinforced on Wednesday evenings through storytelling, Legos work and videoing the children re-telling the story. Vacation Bible School this year was a collaborative effort with St. Stephen's and St. Mark's teaming up assisting that church while it is in transition. Youth ministry has seen its challenges this year, but we have started collaborating occasionally with St. Mark's to lend excitement of additional youth.

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.) 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. Our youth went to Missionpalooza and participated in CUSE. We also packaged "Books and a Bear" for underprivileged children and participated with Ubi Caritas in Stubi's Reading Camp during the summer. We changed our Pet Blessing to a nearby park to pull others from the neighborhood into this event. Fall Festival, which happened in late October, was also a free event to which members and neighbors alike were invite. Rain moved us inside, but the energy level and joy in Broce Hall was exhilarating.

We have dedicated several memorial gifts during the year. A small "Gathering Spot" near the front of the church was dedicated in memory of Dr. Chuck Caskey and Dr. Fred and Mary Lynn Bessell. We have held mid-week services in this location and it is a spot of peace and beauty for private reflection. Our prayer garden was refurbished, trees trimmed thanks to ECW, and a new fabric mural dedicated for Broce Hall due to a gift from Lisa Wolf.

Rev. Nancy DeForest presented 15 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 four baptisms, one marriage, and six burials.

Though we are facing some financial challenges due to the down turn in the petro-chemical sector, deaths and people moving out of the city, we acknowledge the goodness and provision of God in the past to sustain us during this time. We will find

new and creative ways 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!”

### **St. Stephen’s Liberty**

The Year of our Lord 2015 seems to have flown by as Episcopalians in Liberty County have been busy with church events and working in the greater community. This year has been a year of partnerships with other agencies to maximize our efforts to serve the needy. Representatives from Episcopal Health Foundation met with us several times and we are engaged in focused, strategic planning to pinpoint areas where that partnership will bear the most fruit. Our Outreach Ministry Team has partnered with Children’s Protective Services, Adult Protective Services, and Family-Based Safety Services to provide food, beds, bedding, and other items upon referral from one of the agencies. We have partnered with CASA (Court Appointed Special Advocate) to provide direct financial support, office supplies and software, and several of our members have been trained as CASA volunteers and work directly with children who have been removed from their homes. We are also very excited to be involved with the Texas Rural Leadership Program and Texas A&M University to bring specialized training to Liberty County to train young leaders to lead our community into the future. We are working directly with Texas A&M College of Architecture to utilize student architects for community development. Our ultimate dream is to design and build a Community Wellness Center that would accommodate youth events, health fairs, medical screenings, social services and assistance for the elderly and much more. As Michael Harvey says, “Have a big vision and dream big dreams!” Of course we held our traditional annual community events, the Shrove Tuesday Pancake Supper, St. Patrick’s Day Festival, the Blessing of the Animals, Oktoberfest, and our Veterans Day Remembrance. We are working in earnest on our year round stewardship ministry and are beginning to phase out the annual pledge drive, using as our guide the book “Making the Annual Pledge Drive Obsolete” by the Rev. Timothy Dombeck and Michael Durall. Our Vestry is focusing on growth, vitality and sustainability, and the theme of our annual workshop retreat was “What Kind of Church are we Leaving for the Next Generation?” We are working hard to be a church that is both inviting AND welcoming as we move joyfully into the future!

### **St. Paul’s Woodville**

St. Paul’s, Woodville, is a small congregation serving the people of Tyler County in rural East Texas. We’ve been building relationships this year, such as: A Boy Scout troop from Louisiana brought a random worship visit in 2014 from 25 boys and adult leaders who had never attended an Episcopal service. The troop returned in October 2015, and have asked to come in 2016; and man in solitary confinement we’ve been praying for recently mailed in a pledge during our stewardship drive, committing to regular prayer and crafting greeting cards for the needy. Relationships are born from our lay leadership’s commitment to being visible shepherds of God’s love. Our community-based presence embodies that commitment by sharing time and abilities into community partnerships including: food-unstable feeding ministry, poverty resource center, civic organizations, individual/family compassionate care, homebound food delivery, prayer support, at-risk women’s job training, parenting classes, spiritual renewal reunion groups and ecumenical events. Members have attended training on

missional communities and invite-welcome-connect development, and continue to develop our first outreach and invite-welcome-connect committees. Our church school has 43 students and continues a strong partnership with the church.

### **Trinity, Jasper**

Trinity Episcopal Parish is alive and well. It has maintained a steady congregational attendance of 15 to 25 each Sunday. Most of the congregation is retirement age and many of the parishioners travel extensively. If everyone showed up at the same time we would have about 40.

Trinity has entered into a contract with the Reverend Les Spear to be the permanent supply priest for the annual year of October 2015 through October 2016. He has been their regular supply priest beginning at the Christmas Eve Mass celebration December 2013. During the following year of 2014, Fr. Les and Deacon Drury conducted services and maintained an ecclesial presence at Trinity. Trinity saw a rebirth of new members, and some old members coming back. This was a time of transition and change. Outreach both near and far was emphasized and encountered. We engaged and sent a van load of supplies to St. Vincent's House in Galveston. Deacon Suzy and I participated in the Clericus meetings, the Jasper Ministerial Alliance, Council, Clergy Conferences, and The Little Church Club. We have had two visits from our Bishops, the last one when Bishop Fisher was here Trinity had a Confirmation and several rededications. I have celebrated at a Baptism, and an adoption ceremony this past year and maybe three more Baptisms and a marriage in the near future.

Our Church has reached out to our tenets next door, The Jasper Head Start School. Last May we opened our hearts and Sanctuary for them to have their Graduation in a facility larger than their lunch room. Several of our parishioners participated in this effort to make sure it was a special time in the life of the students and the teachers who work there. Diplomas were created and given to each student, along with a DVD of the service. Trinity became known in the Jasper community. We are planning on another graduation this year also. We have had two more interactions with the children. A local flutiest was invited to present a concert for the children. One of our parishioners brought his mule and donkey and had a special performance for them. The director and I are working on other agendas for interaction between Trinity and Head Start.

Recently, we had an ingathering of material, money and supplies to send to a startup shelter for abused and battered women in Elsa, Texas. I have been asked about leading a mission trip to one of the Indian reservations I was Canon Missioner to in the Dakotas. We are in the process of having more interaction with the local Presbyterian congregation and believe that will continue to be a great way to become more visible in Jasper and break down the walls of clerical separation. This past month we participated at the annual Jasper Fall Fest. We set up a booth and distributed free water and free prayers. Lots of water was given and many prayer requests were received and placed on the Altar on Sunday. This was very successful and another way for us to be known in the community.

Trinity Episcopal Church in Jasper, Texas is under the lay leadership of a very strong vestry lead by a very capable Sr. Warden, Jim Eldert. We truly believe that the TRINITY is present and leading Trinity into the future. God is Good, All the Time. All the Time, God is Good.

## **Trinity, Anahuac 2015**

2015 has been full of blessings for Trinity, Anahuac. On October 25<sup>th</sup> we more than doubled ASA at the 75<sup>th</sup> anniversary celebration of Trinity's founding as a missional Episcopal presence in Chambers County. We are preparing a youth confirmand for Bishop Fisher's January 2016 visit. In addition we have 4 membership transfers in process for 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 our volunteer Safeguarding trainer, who held a Safeguarding God's People training for our Bishop's Committee this spring; a Safeguarding God's Children session is planned for November 15<sup>th</sup> of this year.

This year we mourn and rejoice at the passing into God's nearer presence of our co-treasurer of many years, His Honor Judge Carroll Wilborn. Carroll helped the diocese elect the Right Reverend Jeff Fisher as Bishop Suffragan, and stands as role model and encourager to Trinity to continue God's work. Our loss is Heaven's gain.

We used Trinity's digital media presence via links to Michael Curry's consecration as Presiding Bishop through our updated website. And we've increased attendance at parish events via our Trinity Facebook page. Trinity's 2015 adult formation was furthered by both a Lenten daily devotion program and a summer book study of Bishop Doyle's book "Unabashedly Episcopalian," for which participants read diligently and discussed actively. We are beginning a Verger's ministry among the congregation.

Our community outreach included donations to 4 local volunteer fire departments, contributions to the Liberty/Chambers County Court-Appointed Special Advocates program, the Serving Sisters, and Anahuac High School's Honor Society (funded through our very successful 2015 annual Fish Fry), and the Food Bank of the Mid-Chambers County Christian Caring Center. Part of Trinity's annual outreach efforts are related to Lacey Largent's Seafarers Mission, which allows a widely based participation across all ages in our congregation while collecting, packing and wrapping Christmas gifts for the often-overlooked merchant seamen. Next year we hope to spearhead a ministry to some of the many trailer parks in our area.

We have been praying for guidance on a missional community effort in the coming year; in pursuit of which we attended Bishop Doyle's 2015 Missional Community workshop. Since Chambers County's water bills have doubled over the past three years, we are considering Laundry Love as a likely option. 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. Paul's, Orange, Texas**

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 Adult Bible and Youth 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.

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 have worked with members of the administration on campus and are in the

process of beginning a student ministry on campus.

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.

Nancy DeForest, Dean

### **SOUTHWEST CONVOCATION**

The Southwest Convocation continues to be one of the top-ten convocations in the diocese, even in the midst of changes in leadership. The Rev. Bert Baetz stepped down as dean following last year's council, and the Rev. John Soard was appointed the new dean.

The convocation has continued the monthly meeting of the clergy to offer support in ministry and life with discussions marked by charity. These monthly meetings normally take place at Calvary, Richmond on the fourth Thursday of the month. Several guests visited the clericus over the year. On February 26, 2015, Ms. Lisa Madry visited the clericus to talk about the Episcopal Health Foundation and its work with parishes. The Rt. Rev. Dena Harrison visited on May 28, 2015, and the Rt. Rev. Andy Doyle visited September 24, 2015. In August 2015, Ms. Gaye Jones the long time facilitator for the clericus stepped down to spend more time with her family. The group valued Gaye's guidance and insights in discussions and very much appreciated her time and work with the clericus. In September 2015, Ms. Maureen Bacchi became the group's new facilitator, and everyone has enjoyed getting to know her as she has gotten to know everyone else.

The parishes and missions of the convocation continue to proclaim the good news of Jesus Christ, worship God faithfully, and serve their communities in a variety of ways. On December 10, 2014, Bishop Doyle installed the Rev. Travis Smith as the rector of Holy Comforter, Angleton. The Rev. Kellaura Johnson was ordained on January 9, 2015 by Bishop Harrison at Calvary, Richmond. On January 31, 2015, Calvary hosted a Vestry Basics Conference for the Houston area congregations. About 120 clergy and lay persons attended and enjoyed the fellowship and learning opportunities that the conference offered. The Rev. Ralph Morgan concluded his ministry as rector of Christ Church, Eagle Lake on June 31, 2015 before moving to Lufkin to become the rector of St. Cyprian's. In October 2015, Holy Cross, Sugar Land held their Ninth Annual Pumpkin Patch, the largest Pumpkin Patch in Fort Bend County, with concessions, maze, hayride, silent auction, vendors, and live entertainment. Holy Cross raised \$14,000 for the purchase of a new track chair which was presented to *Impact A Hero* on the second weekend of the Pumpkin Patch. The track chair allows disabled veterans to hunt and fish and access off road terrain that they would not otherwise be able to access. Lastly, the Rev. Stephen Spicer became the priest-in-charge at Christ Church, Eagle Lake on November 23, 2015.

All of this leads to a bright future for the church as the clergy, missions, and parishes of the Southwest Convocation continue the ministry of Jesus established here in the first days of the diocese.

John Soard, Dean

### **WEST HARRIS CONVOCATION**

We typically meet at Ascension Church, Houston [www.ascensionepiscopalchurch.org](http://www.ascensionepiscopalchurch.org).

Each month we engage issues specific to ordained ministry. We help each other with creative solutions to common ministry challenges. We see God blessing the clergy of the West Harris convocation and look forward to mutually supporting one another. If you are in West Harris but are not receiving regular email, please contact [rector@ascensionepiscopalchurch.org](mailto:rector@ascensionepiscopalchurch.org)

The deacon at Ascension, the Rev. Mary Reddick, is now convening a deacon's forum. The regular Clericus has moved to a group for associate priests and rectors.

Todd Bryant, Dean

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

Camp Allen had over 56,800 visitors last year including over 9,000 youth. This year had many significant accomplishments including hosting over 1400 events for churches, non-profits and universities. A record number of clergy attended the fall clergy conference at camp in October. Camp Allen employs 79 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 and ultimately a fourth campsite.

The Camp Allen budget for 2016 is \$6,000,000 with a net change in assets of \$250,000 before depreciation. The summer camp program continues to grow at a record pace of 1968 campers attending one of 24 sessions.. The rate for a week of camp is \$594. 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	\$3,092,482
Summer Camp Fees	897,327
Campsites and Cabins	420,857
Discovery Fees	672,272
Gift Shop Sales	158,423
Gifts and other donations	529,969
Equestrian and other income	66,226

##### **Total Revenues**

**\$5,837,556**

##### **Expenses:**

Conference Center	\$3,177,600
Summer Camp	1,063,612
Discovery	858,643

Campsite and cabins	337,564
Gift Shop	283,875
Equestrian expenses	118,290
Total Expenses:	<b>\$5,839,584</b>
<b>Net change before depreciation</b>	<b>\$ 2,028</b>
<b>Depreciation</b>	<b>\$ 810,906</b>

### **CHAPLAINS TO THE RETIRED**

With the deaths of Ben Shawhan and Roland Timberlake, and the retirement of Jack Russell, we lost special chaplains and gifted pastors. Our retreat for the retired, their spouses and surviving spouses was a warm success. Led by Bishop Fisher and Martha Harvey the event brought about 80 to Camp Allen. Our ministry to contact each retiree on their special days during the year continues through calls, cards and visits. We try to keep families in our ministry during times of loss. In all aspects, we are recipients of much grace from those we serve.

Chaplains M.L. Agnew, Dorothy Gremillion, Gary & Lyn Jones and Jim Alcorn

#### **Chaplain to the Retired and Spouses in Northeast Texas**

The responsibility of pastoral care for the retired and spouses in northeast Texas includes persons who live within one hundred miles of Tyler. There are approximately forty individuals in this geographical area. This ministry is an extension of the care and concern of our bishop and the Church Pension Group. It is a privilege to serve in this meaningful ministry.

Locating retired clergy and spouses is not always easy. With designations like non-canonical, licensed, and local (but not active in ministry), keeping track of and maintaining relationships is a challenge. Martha Harvey, Executive Secretary to Bishop Fisher and Sean Scheller of the CPG, keep the list current. However, we need all sources of information to make sure that the retired and spouses receive the care and attention they deserve. Anyone reading this report is asked to notify Martha if you know of such persons in the northeast area of our diocese.

What does the chaplain do? Birthday cards, visitations, attending funerals, and encouraging the retired to attend clericus and diocesan events are activities of the chaplain. From time to time, questions about pensions, insurance, and long-term care are asked and answers given. The Diocese of Texas offers a retreat for those retired and the information shared and the fellowship enjoyed are relationships we all can be proud of. Thanks go to our diocesan family for this program. It is in our planning to have a gathering of the retired for a meal and time of fellowship.

Again, the diocese and chaplains to the retired need your help in locating persons who have retired in the Diocese of Texas. Please help us make this ministry effective to all the retired.

M.L. Agnew, Jr.

### **COMMISSION ON SCHOOLS**

Commission Goals:

The Commission on Schools recognizes the opportunity of Episcopal schools to extend the message of welcome and outreach shared on Sundays, to the children and



families who participate in the school community. We believe that the experience of an Episcopal school can have a profoundly positive effect on how these young people grow up. A constructive collaboration between a parish and its school, a partnership between the clergy and head of school, and an exemplary academic program integrated with age-appropriate worship and service will result in a new generation of informed, compassionate, healthy young adults.

The Commission worked on several projects this year. The Commission continued 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.

The Commission offered itself as a more visible resource this year. It sponsored an information booth at the Biennial Southwestern Association of Episcopal Schools conference in Sugar Land and offered a workshop at the Clergy Conference at Camp Allen, followed by several conversations with rectors about parish school challenges.

The issue of conflicts of interest in hiring employees was discussed and one which small schools in particular find themselves challenged to solve. A recommendation to avoid both the appearance of favoritism and conflict in supervision responsibilities is included in the updated Handbook.

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).

School Structure:

This year we have 58 schools working with the Commission. Enrollment overall shows an increase in students again this year of 1% for a total of 11,325 students, infants through 12<sup>th</sup> grade in attendance at Episcopal schools. Nearly 55% of all of our schools are preschools only, with the remaining schools offering programs that include preschool, elementary, and middle school. This Diocese also has ten high schools of varying sizes and grade configurations. Episcopal schools in this Diocese currently employ over 2,300 individuals.

Shared Experiences:

Information was collected this year about the chapel and worship experiences offered to students. The survey found that half our schools implement chapel services once a week, 14 do worship twice a week, and 10 do chapel every day with the remaining schools offering chapel three or four times a week. Chapel is primarily lead by the rector, for which schools are greatly appreciative, or the head of school. Other leaders include additional clergy, chaplains, youth ministers, teachers, and even high school teen leaders on occasion. This information and additional comments about student participation are shared in The Handbook for consideration by other schools as their programs evolve.

Fran Barrack, Chair

## 2015-16 Annual Report Summary

### *Total Number of Certified Schools*

Preschool only:	32
Through Elementary:	8
Through Middle School:	8
Through High School:	8
High School Only:	<u>2</u>
 Total	 58

\*\*\*\*\*

### *School Size by Enrollment:*

Schools with <50 students:	6
Schools with <100:	22
Schools with <200:	15
Schools with <300:	5
Schools with >300:	10

\*\*\*\*\*

### *Enrollment by Age/Grade:*

Infants (<1 yr.):	72
1's:	298
2's:	928
3's:	1244
4's:	1356
5's in K:	764
5's in transitional/bridge K:	105
1 <sup>st</sup> grade:	560
2 <sup>nd</sup> grade:	529
3 <sup>rd</sup> grade:	552
4 <sup>th</sup> grade:	539
5 <sup>th</sup> grade:	529
6 <sup>th</sup> grade:	574
7 <sup>th</sup> grade:	581
8 <sup>th</sup> grade:	528
9 <sup>th</sup> grade:	515
10 <sup>th</sup> grade:	541
11 <sup>th</sup> grade:	542
12 <sup>th</sup> grade:	<u>568</u>

Total: 11,325

### *Minority Student Enrollment* (from schools that collect this data)

Students: 2850 (approx. 25%)

\*\*\*\*\*

### *Episcopal Student Enrollment* (from schools that collect this data)

Students: 1,723 (approx. 15%)

\*\*\*\*\*

### *Number Receiving Financial Aid:*

Students: 1,234 (approx. 11%)

\*\*\*\*\*

### *Students Identified with Special Needs:*

Students: 276

\*\*\*\*\*

### *Students in After School Programs:*

Students: 2,332

\*\*\*\*\*

### *Total Number of Employees:*

Employees: 2,318

\*\*\*\*\*

### *Summer Programs*

37 schools plan summer programs/camps; the average length of programs – 6 week

### *Location of Schools by City*

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

## COMMUNICATION DEPARTMENT

*The Dialog: Texas Episcopalian* magazine published four issues in 2015 focusing on prayer, resale shops, racism and refugee resettlement. The quarterly magazine (circulation 27,000+) is mailed to each household in the Diocese of Texas, all bishops in The Episcopal Church and all members of Episcopal Communicators. This award-winning publication continues to utilize a varied cadre of writers from across the country who are able to write with authority on their particular subject: the Very Rev. Mike Kinman, dean of Christ Church Cathedral in St. Louis, MO, on his experience in Ferguson following Michael Brown's shooting; Brother Curtis Almquist, Society of St. John the Evangelist, Boston, MA, on petitionary prayer as part of the issue for Lent. Profiles included the Rev. Simón Bautista, Canon Missioner for Latino Ministries at Christ Church Cathedral, Houston; the new Presiding Bishop Michael Curry; and Earnest Koury, a 55-year veteran of the choir at St. Paul's, Waco.

The editor, Carol E. Barnwell and her team strive to provide a diversity of topics, articles and authors and to represent all parts of the Diocese. Congregations profiled included the new Epiphany Campus of Christ Church, Tyler and the dedication of the newly completed St. Mary Magdalene, Manor.

Future issues will highlight stories from the Holy Land and Camp Allen among other.

### *Web*

Micro-sites were developed for [SharingFaithDinners.com](http://SharingFaithDinners.com) and [InviteWelcomeConnect.com](http://InviteWelcomeConnect.com) newcomer ministry so that this information would be more readily available to the broader Church. We did a page-by-page assessment of the diocesan website ([epicenter.org](http://epicenter.org)) in preparation for a major redesign early in 2016. This includes expanded pages for clergy wellness, comprehensive coverage of our partnership in S. Malawi, online information for annual Council and enhanced social media coverage.

The Communication team worked on numerous projects in 2015, expanding the Sharing Faith Dinner event to more than a dozen dioceses across the country and adding several LOGOS videos to the library online ([epicenter.org/logos](http://epicenter.org/logos)) We held regional informational lunches for people who had communication responsibilities in parishes and established an ongoing online community where they could ask questions and share best practices.

These LOGOS videos are well-known authors and experts who present their topics in succinct videos that are available at no charge to any person or congregation for their use. A biography and small group questions accompany each video so they can be used for adult education and further discussion in local churches. Among the people added in 2015 are the Rev. John Zahl, director of Mockingbird Ministries and the Rev. Barbara Cawthorn Crafton. These are available at [epicenter.org/logos](http://epicenter.org/logos).

We worked with Episcopal Health Foundation to promote and compile outreach information from congregations on the national Asset Map, developed by The Episcopal Church and Episcopal Relief and Development.

General Convention was fully covered by written story, video and photos from the event through a media hub on the diocesan website. Additionally, an online blog, *Episcopal Herald*, edited by the Rev. Patrick Miller and written by a team of diocesan clergy, provided further insight to the workings of the Church gathered in Salt Lake City

in June.

Other projects included development of a number of new websites and a comprehensive marketing plan for the Diocese' Spanish-speaking congregations. Imagina Communications, leading experts in Hispanic marketing in the Houston area, facilitated a number of focus groups and helped to develop a strategic plan to develop a unified message and raise awareness of the Episcopal Church within the Spanish-speaking community.

The Communication team also provided assistance for several churches to produce videos for their websites and did a number of consultations with parishes regarding their ongoing communication efforts as well as to improve the effectiveness of their websites.

Ongoing communication efforts include the bi-weekly e-news to the Diocese and the Out of the Ordinary, e-news for clergy which is published weekly; support for and coverage of the deacons ordination, clergy conference, annual Council the Invite.Welcome.Connect Summit and other annual events.

Carol Barnwell, Communication Director, presented three keynote addresses to members of the Episcopal Churches in Europe at the invitation of Bishop Pierre Whalon and provided coverage of a pilgrimage to the Holy Land led by the Rev. John Peterson from the National Cathedral. These stories and photographs will be the focus of the Lent, 2016 *Diolog*.

Carol E. Barnwell, Communication Director

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

St. Vincent's House on Galveston Island remains a beacon of HOPE and a place of HEALING for the underserved in our community. We continue to honor the legacy of mission begun by St. Augustine of Hippo Episcopal Church in 1954.

During 2015, we served more than 12,600 individuals and families through a variety of services including health and dental care, the food pantry, emergency assistance and direct aid, transportation services, and mental health care. We have been able to continue to do much for the need in Galveston county thanks to our partnerships with our sister Episcopal churches *on and off the Island*, UTMB, Family Service Center of Galveston, Catholic Charities, Community Action Council, the St. Luke Society, and the Episcopal Health Foundation to name a few.

We continued these services even in the midst of powerful and transformational changes that continue to re-shape St. Vincent's ministry for years to come. We endured challenging times this year as our context continually shifted around us. Upward Hope Academy, the at-risk school for youth, finally outgrew our campus facilities enrolling 90+ teenagers for the New Year. As an accredited high-school, it sought more room to grow and found other usable space to occupy on the Island. We are glad to have been a part of the Academy's development and maturation and were both sad and happy for them at their departure from us.

Additionally, our Preschool, which was a 45 year institution in Galveston, lost most of its students with the advent of Galveston Independent School District's all-day pre-school program and the Galveston County Head-Start program. As our census continued to diminish, it became apparent that "affordable pre-school" was no longer a

need as parents now found “free” pre-school. We sadly closed the pre-school on September 30<sup>th</sup>, 2015.

Nevertheless, we managed to find something to celebrate when over 100 members of the community came together with us to celebrate MLK Day at our annual MLK Prayer Vigil on January 19<sup>th</sup>. We invited an ordained person from each denomination on the Island to offer prayers along with us in speech and/or song and the result was inspiring. We were blessed with great weather and a spirit of community that included clients, churches and their members, the synagogue and its members, and several funders on the Island.

During the summer Juneteenth, 2015 marked the 150<sup>th</sup> anniversary of the announcement of the abolition of slavery in Texas; it is the oldest celebratory commemoration for African-Americans around the US. Since it began in Galveston, St. Vincent’s House was a proud participant of the festivities for the month of June. We sponsored a “*Gospel Hour & Open House*” with food, song, and fellowship and showcased two up and coming musicians who offered songs of praise and worship for the gift of freedom in body and in spirit. Members of the St. Vincent’s House neighborhood really enjoyed the evening. We also participated in the Juneteenth Parade and prayer breakfast.

Speaking of the summer months, this year we hosted 187 missionaries who joined with St. Vincent’s House in its ministry to the marginalized in our community. Their work was invaluable in and around the building and campus.

Our dental clinic recently opened twice a month on weekends for clients who are primarily homeless. We are grateful for the volunteer dentist and orthodontist who alternate Saturdays at St. Vincent’s to care for our clients’ dental health.

As I prepare this report, we are gearing up for the Thanksgiving holiday to serve 400+ holiday meals to 3 residential/long-term care facilities on the Island. We are also delivering 50 turkey baskets to clients whom we have served this past year who are most in need.

Finally, through a client assessment this year we discovered that those whom we serve were hungry for more spirituality and spiritual care; so to date we have begun a weekly evening prayer service alongside our daily morning prayer and weekly Holy Communion services. Additionally, we offer pastoral counseling every Wednesday for anyone who desires it through a partnership with members of Galveston Ministerial Alliance. We intend to begin a Bible study in 2016.

Thank you, Church Family, for the variety of ways in which you support us. Please keep us in your prayers.

Freda Marie S. Brown, Executive Director

### **ST. JAMES HOUSE**

St. James House, Baytown, (SJH) the diocesan skilled nursing and independent living community, continues to make great strides under the leadership of Executive Director Wesley Bard and his team. Excellent care for those entrusted to us continues to be our sacred responsibility and our top priority. The 40 apartments in Alexander Hall are full with an active waiting list, and census in St. James House itself, where both rehabilitation services and long-term skilled nursing are provided, is about 92% for the year. Both continue to enjoy a fine reputation in the Baytown community.

St. James House is open to all. While there are retired clergy who live there, it is not only for retired clergy, or even only for Episcopalians. We welcome all. While in most cases the costs of care are paid by the residents themselves or by Medicare, we accept also a limited number of Medicaid residents. Grant-writing and other forms of fundraising allow us to provide this care to those who have out-lived their financial resources. We continue to be grateful to our ongoing partner in ministry, The Guild Shop, for its generous gifts to St. James House through the years. We also extend our thanks to Susan and Lenoir Josey for hosting our annual Silver Tea in their lovely home this year. More than \$50,000 was raised for upgrading some of our infrastructure.

As this is written, St. James House is awaiting the results of the next phase of some studies and strategic planning that was begun about two years ago. As the diocesan canons make clear, the Baytown location was anticipated to be the first of several diocesan “St. James Houses,” and we are currently working to determine what those future “houses” may look like!

The St. James House, Baytown, Board of Trustees is chaired by Bishop Jeff Fisher. All Trustees are members of diocesan churches in the Greater Houston area, from St. James, Conroe, to Grace, Galveston. The board meets 10 – 12 times a year, usually at SJH. It is truly a working board and we are grateful for the compassion and commitment displayed by all our Trustees.

A board tradition begun by Bishop Fisher is to hold a board meeting on Maundy Thursday in conjunction with the usual 11:00 AM SJH Maundy Thursday service. There, instead of washing feet, which is not practical in our environment, Bishop Fisher washes the hands of residents, staff, board, and everyone else who attends. This blessing of the hands for ministry is a very moving service.

Please visit our website at [www.StJamesHouse.org](http://www.StJamesHouse.org). If you have a passion for helping our older sisters and brothers live in comfort and dignity in the last phases of their lives, we invite you to come join us in our work. We have a place at our board table for you!

Pamela S. Nolting, President

### **SEMINARY OF THE SOUTHWEST**

Seminary of the Southwest forms men and women for the service of Christ in lay or ordained ministry within the church and the larger society. The seminary’s vision is to be a community for formation and leadership within the church supported by a strength of program, endowment, and environment that assures excellence in theological and pastoral education.

Our core values describe what we stand for and believe in.

Hospitality: creating a common life that welcomes difference and ensures that all voices are heard

Mutuality: nurturing a collaborative environment that promotes mutual inquiry and accountability

Respect: cultivating the virtues of patience, justice, and charity, so as to affirm the dignity of every member of the community

Rootedness: embodying the richness of the Episcopal and Anglican traditions in particular contexts, especially that of the American Southwest and its Hispanic cultures

Celebration: glorifying and enjoying God in worship, prayer, study, service, and fellowship, so as to create a community of gratitude and gift

Conversation: listening to and critically engaging a variety of cultural and religious voices in order to commend the Christian tradition and discover fresh wisdom

The primary commitment of Seminary of the Southwest is to our students' growth in the knowledge and love of God as witnessed to in Holy Scripture, the Creeds, and in the universal and ecumenical traditions of the Church through the ages. Our purpose is to foster Christian ministers who are faithful, imaginative, and skilled.

In the summer of 2015, Cynthia Briggs Kittredge began her third year as dean and president. The focus of Dean Kittredge's leadership is the formation of Christian leaders in community for the vitality of the church and to advance God's mission of reconciliation. She believes that critical engagement with scripture, tradition, and context, energized by imagination, and grounded in prayer is the center of formation for mission. In her role as dean and president, she continues to form students at Southwest in creative and faithful approaches to biblical studies, early Christian history, Greek reading, and the embodied practice of liturgical leadership. Dean Kittredge is the eighth dean and president of Seminary of the Southwest. She was appointed in 2013 after serving on the faculty as the Ernest J. Villavaso, Jr. Professor of New Testament and as academic dean.

The seminary offers the following degrees and diplomas:

Master of Divinity

Master of Arts in Religion

Master of Arts in Chaplaincy & Pastoral Counseling

Master of Arts in Counseling

Master of Arts in Spiritual Formation

Diploma in Anglican Studies

Diploma in Theological Studies

A total of 95 students enrolled at Seminary of the Southwest for fall 2015. The 34 ordination track students are from the following dioceses: Alabama, Arkansas, Central Florida, Central Gulf Coast, Colorado, El Camino Real, Fort Worth, Mississippi, Montana, Northwest Texas, Oklahoma, Olympia, Rio Grande, San Diego, Texas, Western North Carolina, and West Texas.

Sixty-four percent of students received institutional financial aid for tuition through the seminary's scholarship aid and work programs. Nearly all candidates for the Master of Divinity degree received 100% scholarship tuition aid and work study grants. The faculty is made up of thirteen highly qualified, Christian scholars who 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, Pastoral Theology, Counselor Education, and Hispanic Church Studies. The Faculty includes three administrators, the Very Rev. Cynthia Briggs Kittredge, dean and president, Dr. Scott Bader-Saye, academic dean, and the Rev. Dave Scheider, director of the Loise Henderson Wessendorff Center for Christian Ministry and Vocation. Additionally, over 12 professionals from the Austin and San Antonio areas teach adjunct in the Center.

Seminary of the Southwest is in its 4<sup>th</sup> year as partner with the Diocese of Texas and 17 other dioceses in the Iona Initiative. The seminary faculty provides core



theological content for the Iona Initiative students through videotaped lectures, course syllabi, study guides, and practical resources.

Seminary of the Southwest operates with a balanced budget thanks in part to well managed endowment, disciplined spending, careful oversight of the budget by Executive Vice President Fred Clement and the board of trustees, and a healthy annual fund which has raised in excess of \$800,000 for the past two years. The seminary recently completed a successful Campaign for Leadership, which raised \$16.2 million primarily for endowed faculty chairs and scholarship funds that are crucial in recruiting and retaining students.

Members of the seminary's Board of Trustees joined together in 2015 to increase funds for direct scholarship aid to seminarians with the goal to alleviate the financial burden many face as they commit to their seminary education. Together members of the board raised \$684,600 toward this goal during the fall of 2014 and the spring of 2015. This initiative continues as well as the dedication to increasing both endowed and outright scholarship support for all seminarians.

Earlier this year, the seminary received a generous multi-year grant of \$3 million from Episcopal Health Foundation (EHF) to establish the Bishop Dena A. Harrison Fellows Program. This partnership honors Bishop Harrison, chair of the seminary's Board of Trustees, for her leadership in the diocese and her role as chair of the board of St. Luke's Episcopal Health Care System in the transfer of the Health System to Catholic Health Initiatives, which resulted in over \$1 billion to create the Episcopal Health Foundation.

The goal of the Harrison Fellows Program is to help serve the mental health needs of underserved counties in the diocese by providing paid internships for graduates of the seminary's master's in counseling degree. Currently, there are two 2015 graduates serving at Burke, which provides mental health services in 12 counties in East Texas.

Seminary of the Southwest is grateful for the Episcopal Health Foundation's confidence and generosity.

An anonymous gift of \$1 million was received for the seminary's Loise Henderson Wessendorff Center for Christian Ministry and Vocation and the MA in Counseling accreditation through the Council for Accreditation of Counseling & Related Educational Programs (CACREP). The grant provides for the hire of three full-time professors. Two have been hired to date. This gold standard of accreditation will be an added strength to the EHF partnership and an incentive to those considering the master's degree in counseling.

Southwest has just received generous support of \$140,000 from several donors and friends for the next phase of institutional growth. Identified in the 2013-14 Strategic Plan, the campus master planning process project is the essential next step in our development as an institution, enabling us to envision together the needs of the current and future programs, to make maximum effective use of our existing facilities, and to coordinate renovation with new construction of additional housing for student families. The visioning and planning process will be the springboard for a capital campaign and will provide a map for future development of seminary property.

The Southern Association of Colleges and Schools Commission on Colleges and the Commission on Accrediting of the Association of Theological Schools of the United

States and Canada accredit Seminary of the Southwest.

An outstanding Board of Trustees chaired by the Rt. Rev. Dena Harrison, bishop suffragan, Diocese of Texas, leads the seminary. Other trustees include David T. Harvin, executive chair, Diocese of Texas; The Rev. Lisa Mason, treasurer, Diocese of West Texas; Dr. Anthony Baker, faculty representative (non-voting member), Seminary of the Southwest; Fredricka Brecht, Diocese of Texas; John Castle, Diocese of Dallas; John E. Culmer, Diocese of Texas; The Rev. Bob Dannals, PhD, Diocese of Dallas; The Rt. Rev. C. Andrew Doyle, Ex. Officio, Diocese of Texas; Suzan Fenner, Diocese of Dallas; The Rt. Rev. Robert Hirschfeld, Diocese of New Hampshire; The Very Rev. Cynthia Briggs Kittredge, Ex Officio, Seminary of the Southwest; Teri Lawver, Diocese of New Jersey; The Very Rev. Justin Lindstrom, Diocese of Oklahoma; The Honorable Lora Livingston, Diocese of Texas; The Rev. Patrick Miller, Diocese of Texas; The Rev. Alex Montes Vela, Diocese of Texas; Ron Ogden, Diocese of Texas; Liza W. Philpy, Diocese of West Texas; Randall (Scott) Painter, student representative, Seminary of the Southwest; Dr. Lynwood P. Randolph, Diocese of Texas; The Rt. Rev. David Reed, Diocese of West Texas; The Rt. Rev. Gregory H. Rickel, Diocese of Olympia; The Very Rev. Barkley Thompson, Diocese of Texas; Ms. Lesley Tumbusch, Secretary (non-voting member), Seminary of the Southwest; and Kathleen Wells, Diocese of Ft. Worth.

Details about the seminary's programs, faculty and news can be found at <http://www.ssw.edu>.

Cynthia Briggs Kittredge, Dean and President

## **THE UNIVERSITY OF THE SOUTH**

### **About Sewanee**

The University of the South is home to an outstanding liberal arts college, a School of Letters, and a seminary of The Episcopal Church. Located atop the Cumberland Plateau between Nashville and Chattanooga, Tenn., Sewanee's 13,000-acre campus, the second largest campus in the United States, provides vast opportunities for research, recreation, and reflection. Within the traditionally strong curriculum of humanities, sciences, and graduate theological studies, Sewanee faculty members promote intellectual growth, critical thinking, and hands-on research.

The University is leading the way in controlling the cost of a college education by continuing the four year tuition freeze for freshmen in the College of Arts and Sciences so that the cost of attending Sewanee is the same each year for four consecutive years. The tuition freeze has made the University more competitive by increasing the number of applications received and the number of students admitted. The University is accommodating this increase in enrollment by implementing the 2011 Master Plan and the 2013 Sustainability Plan, making many additions and improvements to numerous facilities around the campus. The student body is receiving one of the top liberal arts educations in the country, and 99% of the class of 2015 are either employed or pursuing a graduate degree.

**College of Arts & Sciences**

Enrollment from the Diocese of Texas: 49 students total (15 report Episcopal heritage)

Financial aid awarded to all college students from the Diocese of Texas: \$640,849.00

**The School of Theology****Seminary**

Enrollment from the Diocese of Texas: 1 students total (0 in the summer Advanced Degrees Program)

**The Beecken Center**

Education for Ministry (EfM) Groups: 33

EfM Diocesan Coordinator: Ms. Lucy M. Wagner, lmwagner1219@gmail.com, 713.253.4903

**Annual Fund Support Received from the Diocese of Texas:** \$8,000 (Rank – tied 2nd [1. Alabama \$15,000.00])

Additionally, the Diocese of Texas pledged a gift of \$1,000,000.00 to the School of Theology during the quiet phase of new Stronger Truer Capital Campaign in 2015.

**Annual Fund Support Received from the Diocese of Texas churches:** \$5,000 (Rank – 11th [1. Mississippi \$34,500])

**2014–2015 Statistics for the University of the South**

College of Arts and Sciences total students: 1631 (full-time and part-time)

Class of 2018: 466

SAT combined: 1740-2020 ACT: 26-30

High School GPA: 3.69/4.0

Female: 56.9 % Male: 43.1 %

Percentage of all college students declaring Episcopal heritage: 25.1%

College tuition and fees: \$ 37,100

College faculty: 148 (Full-Time) and 72 (Part-Time)

Student/faculty ratio: 10.2 to 1

School of Theology students: 157 (includes summer students)

School of Theology full-time tuition and fees: \$ 16,748

School of Theology faculty: Full-Time: 12 Part-Time: 9 Student/faculty ratio: 7/1

**University Fiscal Year July 1, 2014–June 30, 2015 (unaudited)**

Unrestricted operating revenue: \$66 million

Endowment: \$350 million

Seth J. Hinkley, Sandy Wilkens, and the Rev. Chuck Treadwell, Trustees

**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 ninth year as Head of School. On January 9, 2015, Bob announced that academic year 2015–16 would be his last at St. Stephen's, as he plans to enter into retirement. St. Stephen's Board of Trustees created a search committee that worked closely with Carney, Sandoe & Associates, a leading, national recruitment firm focused on independent school head searches, to direct the search process. Following a comprehensive nationwide search that included a diverse pool of candidates, the Board announced on September 21, 2015, that Christopher L. Gunnin had been unanimously and enthusiastically selected as the twelfth head of school.

Bishop Hines' founding vision of a talented and diverse student population is alive and well. The total enrollment of the School for 2015 is 688; the 179 boarding students—the highest number in School history—represent 10 states, 30 cities in Texas and 13 foreign countries, bringing an unmatched diversity of race, ethnicity, and religion to our campus. Our 509 day students (190 in Middle School and 319 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. \$2.46 million in need based financial assistance was awarded to 85 students (12% of the student body). Enrollment and financial aid totals are in line with the goals and priorities set last year by the school's Task Force on Strategic Enrollment and approved by the Board of Trustees in October 2014.

Once again, we opened the 2015-2016 school year on sound financial footing, having now balanced the operating budget for 11 years in a row. We closed out the 2014-2015 school year with \$1.3 million in gifts to the school's operating budget. Annual Giving remains healthy and strong with high participation numbers from all constituencies. We are especially pleased to note that 71% of our total families—with 57% of international families—gave generously to Annual Giving.

Additionally, the historic *Frame the Future* campaign, which launched in 2010, concluded on January 15, 2015, after reaching its \$27.35 million campaign goal. The *FTF* campaign added \$5 million to the School's endowment, which provides for outstanding academic, arts and athletic instruction, financial assistance to qualified students, professional development for faculty and staff, and ongoing campus maintenance. Campaign gifts in excess of \$3 million also supported the Emerging Scholars Program for first-generation college-bound students. The final construction project, the Spartan Fitness and Wellness Center, was dedicated on September 7, 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 and around the world. 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. Students are also engaged in

global outreach, the best examples of which may be service performed in Nicaragua every summer and the school's continuing support for and involvement with Ste. Etienne, an Episcopal school in Haiti. 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. Implementation of the upgraded plan began last year and continues into the 2015-16 school year.

The School continues to furnish its students with outstanding academic preparation. Last year, its students' mean SAT scores exceeded 1893 (611 Critical Reading, 651 Math, 631 Writing), its 120 graduating students enrolled at 72 different colleges and universities, and 24 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 2015–2016 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

### **EPISCOPAL CHURCH WOMEN**

It has been an honor to serve as the Diocesan ECW President in the last year. The greatest blessing to serving as President has been traveling around the Diocese and meeting women from as far as Longview to as close as Austin and witnessing how God has worked to change their lives and the lives of others through both prayer and works of faith.

God has blessed us with a board that is willing to follow the Holy Spirit and work hard to bring that Spirit to others. For that, I am grateful. The board met four times in the last year, hosted six convocation gatherings, awarded \$8000 in Vera Gang Scott Scholarships to fourteen students, and provided \$3000 in outreach grants. We also donated \$500 to the St. James House and another \$500 to Hollee Martinez from St. Christopher's, League City, to help defray her costs as a representative to the United Nations Commission on the Status of Women. Hollee was among 20 Episcopalians nationwide chosen to attend the meeting. We were represented at the Diocesan Council in February at the Woodlands. Due to errors in our signage during Council, which read, "Diocese of Texas Episcopal Church of Woman," our booth was very popular. This gave us an excellent chance to network with those in attendance. Patricia Swaby, Cathy Capers and I had the privilege of representing the board at the Province VII meeting in Kansas City, MO in May. In June, Ann Seyler, Nancy Dalton, Jane Brown and I traveled to the National Triennial meeting in Salt Lake City, UT. It was a joy to celebrate with The Rev. Ann Normand as she was named the Distinguished Woman from the Diocese of Texas at Triennial. In November, we sponsored a very successful retreat at Camp Allen. The theme was, "And Who Is My Neighbor?" Attendees enjoyed workshops that centered around the theme, relaxed in the beautiful setting, and did some early Christmas shopping in our Marketplace. Each year the Diocesan ECW promotes outreach projects that may be adopted by the local ECWs. This year our focus was on providing personal hygiene items for women in shelters and on the streets and also prison ministries for women recently released from prison or jail. Our outreach project for the retreat was the Trinity Center's Shower Ministry that

provides showers and clean underwear for homeless women in downtown Austin.

I am thankful for all the churches in the Diocese who have paid their Fair Share that provides the operating funds for the board. I would like to thank the women from St. Mark's, Austin, for hosting the 2015 Annual Retreat and the ladies from St. James', Houston, for agreeing to host the retreat in 2016. May blessings abound for all the women in the Diocese of Texas.

Lisa Martin, President