

J O U R N A L

One Hundred Seventieth

ANNUAL COUNCIL

The Episcopal Diocese of Texas

Volume I

**The Woodlands Waterway
Marriott Hotel and Convention**

The Woodlands, Texas

February 21 – 23, 2019

THE EPISCOPAL DIOCESE OF TEXAS VISION DOCUMENT

MISSION STATEMENT

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

CORE VALUES

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

Missionary Emphasis

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

Education and Leadership

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

Meeting Human Needs

Bringing the love of Christ to a hurting world

Responsive Stewardship

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

Excellence

Setting a standard for ministry driven by miraculous expectation

VISION

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

We are:

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

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

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

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

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

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VOLUME I – REPORTS TO COUNCIL

FROM THE 169TH COUNCIL

UNFINISHED BUSINESS & CERTIFICATION OF MINUTES

I certify that there are no items of unfinished business remaining from the 169th Annual Council of the Episcopal Diocese of Texas. I also certify that the minutes (as contained in Volume II, *Journal of the 169th Council*) are a true and accurate account of the proceedings of that Council.

John A. Logan, Jr., Secretary

REGULAR COMMITTEES FOR THE 170TH COUNCIL (2019)

CONSTITUTION & CANONS

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

Sam Griffin, St. Cyprian's, Lufkin

The Rev. Lillian Hyde, Retired EDOT Clergy; Interim, Christ the King, Alief

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

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

COUNCIL MANAGEMENT

Mary Cloud, Trinity, Houston (Diocesan Council Coordinator)

Susan Duif, Trinity, Galveston

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

Nicholas S. Johnson, St. Stephen's, Huntsville

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

Tammy Tiner, St. Thomas', College Station

Rob Montgomery, St. Thomas', College Station

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

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

DISPATCH OF BUSINESS

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

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

Roger Smith, St. Thomas', College Station

Tammy Tiner, St. Thomas', College Station

NOMINATIONS

Standing Committee Representative: The Rev. Hannah Atkins

Executive Board Representative: Betsy Sullivan

Ex-officio: Mike Tomsu, Vice Chancellor

Cindy Angle, St. Mary's, Cypress

Mark Browning, St. Andrew's, Bryan

The Rev. Eileen O'Brien, Episcopal Canterbury, Houston

Flint Risien, St. Paul's, Katy
 The Rev. David Sugeno, Trinity, Marble Falls
 The Rev. Hannah Atkins, Trinity, Houston (Chair)
 Molly Carnes, St. Mary's, Cypress
 The Rev. Paulette Magnuson, Retired EDOT Clergy, Georgetown
 Clark "Corky" Moore, Grace, Georgetown
 The Rev. Bertie Pearson, Grace, Georgetown
 The Rev. Terry Pierce, St. James', Taylor

RESOLUTIONS

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

SUPERVISORS AND TELLERS

Linda Gray, St. Francis, Tyler
 Lu McCann, Christ Church, Cedar Park
 The Rev. Jason Ingalls, Holy Spirit, Waco (Chair)
 The Rev. Madeline S. Hawley, St. Christopher's, Austin

STANDING COMMITTEES OF THE COUNCIL

Pre-Council Report of the COMMITTEE FOR CONSTITUTION & CANONS to the 170th Council

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

A. CONSTITUTIONAL AMENDMENTS

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

Article 1 AUTHORITY

EXISTING:

Section 1.1 Accedes to General Constitution and Canons

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

Section 1.2 Authority in Diocese

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

Section 1.3 Authority in Absence of Bishop

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

PROPOSED:

Section 1.1 Accedes to General Constitution and Canons

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

Section 1.2 Authority in Diocese

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

Section 1.3 Authority in Absence of Bishop Diocesan

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

IF AMENDED:

Section 1.1 Accedes to General Constitution and Canons

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

Section 1.2 Authority in Diocese

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

Section 1.3 Authority in Absence of Bishop Diocesan

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

SUBMITTED BY: The Executive Board

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

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A SECOND READING.

Article 2 THE COUNCIL

EXISTING:

Section 2.1 Membership of the Council

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

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

Section 2.2 Lay Representation in Council

Each Parish in union with the Council shall be entitled to representation therein by four Lay Delegates, and each College Chaplaincy in union with the Council shall be entitled to one Lay Delegate. Lay representation for each Mission in union with the Council shall be based on the Mission's Average Sunday Attendance reported in the Journal of the previous year's Council: Each Mission reporting up to 200 shall be entitled to one Lay Delegate; each Mission reporting between 201 and 400 shall be entitled to two Lay Delegates; and each Mission reporting 401 or more shall be entitled to three Lay Delegates. The Youth Ministry of the Diocese shall be entitled to one Lay Delegate from each convocation within the Diocese. Delegates from Parishes and Missions shall be elected by the congregation, or by the Vestry or Bishop's Committee, as the case may be, which may, at the same time, choose an equal number of alternates. In the event that, of those elected, less than the number

permitted is able to attend the Council, the Rector or Priest in Charge is authorized, and is hereby obligated, to make such selections as may ensure a full representation in the Council. Lay Delegates from the College Chaplaincies shall be appointed by the Bishop, after consultation with the Chaplain, if there be one. Upon being seated by the Council, those so selected shall have the same standing as those elected. Lay Delegates from the Youth Ministry of the Diocese shall be appointed by the Bishop after consultation with the appropriate youth 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.

PROPOSED:

Section 2.1 Membership of the Council

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

- (a) The Bishop, when there is one, who shall be *ex-officio* President of the Council, and of the Bishop Coadjutor if there be one, and of the Bishops Suffragan, if there be such; and they shall be entitled to all privileges and membership in the Council.
- (b) All Members of the Clergy, canonically resident in the Diocese, whose letters dimissory have been accepted by the Ecclesiastical Authority of this Diocese, or who have been ordained within this Diocese and who have not, in contemplation of removal from this Diocese, applied for letters dimissory.
- (c) Lay Delegates chosen by and representing the several Parishes and Missions of this Diocese, which may, in accordance with the Constitution and Canons of the Diocese, be entitled to such representation.
- (d) Lay Delegates representing ~~College Chaplaincies~~Campus Ministries of this Diocese. "~~College Chaplaincies~~Campus Ministries" shall mean those colleges and universities, and any branch thereof, in which the work of the Episcopal Church is approved by the Bishop for such representation.

- (e) Pastoral Leaders who have been placed in charge of a Parish or an Organized Mission, or Lay ~~Chaplains~~Missioners who have been placed in charge of a ~~College Chaplaincies~~Campus Ministry, of the Diocese by the Bishop.
- (f) Lay delegates representing the Youth Ministry of the Diocese. The Youth Ministry of the Diocese shall mean those communicants in good standing of a Parish or Organized Mission of the Diocese who are at least 11 years of age and no older than 18 years of age.

Section 2.2 Lay Representation in Council

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

Section 2.3 Qualifications of Delegates

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

IF AMENDED:

Section 2.1 Membership of the Council

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

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

Section 2.2 Lay Representation in Council

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

after consultation with the Campus Missioner, if there be one. Upon being seated by the Council, those so selected shall have the same standing as those elected. Lay Delegates from the Youth Ministry of the Diocese shall be appointed by the Bishop after consultation with the appropriate youth missioner.

Section 2.3 Qualifications of Delegates

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

SUBMITTED BY: The Executive Board

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

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A SECOND READING.

Article 4 OFFICERS AND ELECTIONS

EXISTING:

Section 4.6 Deputies to General Convention

- (a) The Annual Council next preceding the date which is one year prior to the next regular meeting of the General Convention of the Church shall elect four Clerical Deputies and four Lay Deputies to represent this Diocese in the said General Convention at any regular or called meeting of the General Convention. The Clerical Deputies shall be Presbyters or Deacons, in either case canonically resident in the Diocese. The Lay Deputies shall be at least 18 years of age and shall be confirmed communicants in good standing resident in the Diocese.
- (b) There may be elected at the same time four Clerical Alternates and four Lay Alternates from whom the Bishop may designate one or more as necessary

to supply any deficiency in the representation. If there be no Bishop, the power of designation shall be exercised by the Standing Committee.

- (c) To assure a full representation of this Diocese in the General Convention, the Standing Committee, when necessary, shall appoint qualified representatives to supply any deficiency and such appointments shall have the full force and effect of an election by the Council.
- (d) The four clerical deputies and the four lay delegates so elected shall also serve as delegates to the Provincial Synod preceding General Convention.

PROPOSED:

Section 4.6 Deputies to General Convention

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

IF AMENDED:

Section 4.6 Deputies to General Convention

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

- (b) There may be elected at the same time four Clerical Alternates and four Lay Alternates from whom the Bishop may designate one or more as necessary to supply any deficiency in the representation. If there be no Bishop, the power of designation shall be exercised by the Standing Committee.
- (c) To assure a full representation of this Diocese in the General Convention, the Standing Committee, when necessary, shall appoint qualified representatives to supply any deficiency and such appointments shall have the full force and effect of an election by the Council.
- (d) The four Clerical Deputies and the four Lay Deputies so elected shall also serve as delegates to the Provincial Synod preceding General Convention.

SUBMITTED BY: The Executive Board

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

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A SECOND READING.

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

Article 2 **THE COUNCIL**

EXISTING:

Section 2.2 Lay Representation in Council

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

PROPOSED:

Section 2.2 Lay Representation in Council

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

IF AMENDED:

Section 2.2 Lay Representation in Council

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

SUBMITTED BY: The Executive Board

RATIONALE (by the Executive Board): As the number of congregations in the Diocese grows, the options for workable Council locations become more limited. Based on a number of factors, including capacity of primary meeting space, capacity for vendors, additional meeting and support space, contract requirements, available lodging, and overall costs, the Diocese currently has three workable venues: Galveston, Waco and The Woodlands. Of these three workable venues, The Woodlands is at capacity and may be unworkable in the near future. This proposal keeps the three current venues available, saves parishes money on registration fees and other costs associated with lay delegates attending Council, maintains the “balance of power” in Council with the lay order, and may make other venues around the Diocese workable for hosting Council.

THE COMMITTEE RECOMMENDS THIS PROPOSAL FOR A FIRST READING.

C. CANONICAL AMENDMENTS

TITLE III CONGREGATIONS, COMMUNITIES, AND SCHOOLS

Canon 4 PARISH REGISTER AND PAROCHIAL REPORTS

EXISTING:

Section 4.1 Parish Register

- (a) In the Parish Register required by the Canons of the Episcopal Church to be kept in every Parish and Mission, there shall be recorded by the Head of Congregation of such Parish or Mission the name and date of birth of all persons baptized, with the names of the sponsors and parents; the names of all parties married and two or more witnesses present, and the place where the marriage was solemnized; the names of all persons buried, place of interment, and the date and time when each rite was performed.
- (b) The Register shall embrace a list of all communicants in the Parish or Mission as nearly as can be ascertained, a list of all families and adult persons within the Parish or Mission, and the names of persons confirmed, and dates of confirmation by the Bishop.
- (c) The Register shall be kept by the Head of Congregation and shall be preserved by the Vestry or Bishop's Committee, as the case may be, as a part of the Records of the Church, and in the absence of a Head of Congregation it shall be kept by the Senior Warden or Bishop's Warden and the Vestry or Bishop's Committee, as applicable.
- (d) Old Registers, filled up or no longer in current use, shall be deposited with the Archivist of the Diocese, who shall provide the Parish or Mission with a microfilm copy thereof; provided that, should the Parish or Mission desire to retain the old Registers, they shall be microfilmed and the film deposited with

the Archivist. The same procedure shall be followed with the Minutes Books of the Vestry or Bishop's Committee and Registers of Services.

PROPOSED:

Section 4.1 Parish Register

- (a) In the Parish Register required by the Canons of the Episcopal Church to be kept in every Parish and Mission, there shall be recorded in hand-written form by the Head of Congregation of such Parish or Mission the name and date of birth of all persons baptized, with the names of the sponsors and parents and the date of the baptism; the names of persons confirmed and date of confirmation by the Bishop; the names of all parties married and two or more witnesses present; and the date and place where the marriage was solemnized; and the names of all persons buried; and the date and place of interment; ~~and the date and time when each rite was performed.~~
- (b) The Register shall embrace a list of all communicants in the Parish or Mission as nearly as can be ascertained ~~a list of all families and adult persons within the Parish or Mission, and the names of persons confirmed, and dates of confirmation by the Bishop.~~ This list of communicants may be kept electronically.
- (c) The Register shall be kept by the Head of Congregation and shall be preserved by the Vestry or Bishop's Committee, as the case may be, as a part of the Records of the Church, and in the absence of a Head of Congregation it shall be kept by the Senior Warden or Bishop's Warden and the Vestry or Bishop's Committee, as applicable. The Register shall be stored in a manner that guards against damage.
- (d) Old Registers, filled up or no longer in current use, shall be deposited with the Archivist of the Diocese, who shall provide the Parish or Mission with a microfilm or suitable electronic copy thereof as requested by the Parish or Mission; provided that, should the Parish or Mission desire to retain the old Registers, they shall be microfilmed or otherwise preserved and the ~~film~~ preserved records deposited with the Archivist. The same procedure shall be followed with the Minutes Books of the Vestry or Bishop's Committee and Registers of Services.

IF AMENDED:

Section 4.1 Parish Register

- (a) In the Parish Register required by the Canons of the Episcopal Church to be kept in every Parish and Mission, there shall be recorded in hand-written form by the Head of Congregation of such Parish or Mission the name and date of birth of all persons baptized, with the names of the sponsors and parents and the date of the baptism; the names of persons confirmed and date of confirmation by the Bishop; the names of all parties married and two or more

witnesses present and the date and place where the marriage was solemnized; and the names of all persons buried and the date and place of interment.

- (b) The Register shall embrace a list of all communicants in the Parish or Mission as nearly as can be ascertained. This list of communicants may be kept electronically.
- (c) The Register shall be kept by the Head of Congregation and shall be preserved by the Vestry or Bishop's Committee, as the case may be, as a part of the Records of the Church, and in the absence of a Head of Congregation it shall be kept by the Senior Warden or Bishop's Warden and the Vestry or Bishop's Committee, as applicable. The Register shall be stored in a manner that guards against damage.
- (d) Old Registers, filled up or no longer in current use, shall be deposited with the Archivist of the Diocese, who shall provide the Parish or Mission with a microfilm or suitable electronic copy thereof as requested by the Parish or Mission; provided that, should the Parish or Mission desire to retain the old Registers, they shall be microfilmed or otherwise preserved and the preserved records deposited with the Archivist. The same procedure shall be followed with the Minutes Books of the Vestry or Bishop's Committee and Registers of Services.

SUBMITTED BY: The Executive Board

RATIONALE (by The Executive Board): The proposed changes to section 4.1 of Canon 4 of Title III bring this canon more in line with current technology and best practices. Although the current section 4.1 does not specifically require hand-written paper registers, it strongly suggests that they are required for all parts of the Parish Register. The new wording continues to require hand-written records of baptisms, marriages, burials, and confirmations. But it also allows the use of electronic recording methods for the service log and list of communicants should a congregation chose to do so. The other changes allow a Parish or Mission to request an electronic copy of old Parish Registers when deposited with the Archivist of the Diocese because microfilm readers are no longer commonly in use.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

Canon 11 EPISCOPAL SCHOOLS

EXISTING:

Section 11.1 Relationship to the Diocese

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

or institution of the Diocese, or any combination or group thereof, shall be an Episcopal School of the Diocese, and no such school shall be established, maintained, or operated without the written approval and consent of the Bishop of the Diocese of Texas. The Head of School of an Episcopal School of the Diocese shall be a confirmed communicant in good standing of a Parish or Mission of the Diocese. The Bishop may make exception of the requirement set forth in the preceding sentence, within such limitations and conditions as the Bishop may prescribe. The Head of Congregation (or if there be none, the Senior Warden) of the sponsoring Parish or Mission shall be a member ex-officio and Chair of the governing board of the school; provided that, in the absence of or at the pleasure of the Head of Congregation, a designee of the Head of Congregation may serve from time to time as Chair.

Section 11.2 Standards of Compliance

- (a) The Bishop shall establish a Diocesan Commission on Schools consisting of no less than 5 nor more than 12 communicants in good standing in the Diocese. It shall be the duty of the Commission to publish (subject to the Bishop's approval) Standards for Episcopal Schools in this Diocese, give general supervision to all such schools, and perform such other functions regarding such schools as the Bishop may require. All schools shall comply with such Standards as well as the other provisions of this Canon.
- (b) Each school shall comply with health, safety, fire, and sanitation standards at least equal to those required at any time by state, county, and municipal health, safety, fire, and sanitation codes for the locality in which such school is located, and the Bishop or the Bishop's representative shall inspect, or cause to be inspected, at least annually, all schools in order to ascertain compliance with such codes and standards. In addition, each school shall maintain standards in all respects that will enable the Diocese to certify to all governmental authorities that such school is entitled to the benefit of exemption from all licensing provisions imposed by such governmental authority.

Section 11.3 Failure of Compliance

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

Section 11.4 Reports and Inspections

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

to appoint one or more representatives to assist the Bishop in ensuring compliance with the Canon.

PROPOSED:

Section 11.1 Relationship to the Diocese

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

Section 11.2 Standards of Compliance

- (a) The Bishop shall establish a Diocesan Commission on Schools consisting of no less than 5 nor more than 12 communicants in good standing in the Diocese. It shall be the duty of the Commission to publish (subject to the Bishop's approval) Standards for Episcopal Schools in this Diocese, give general supervision to all such schools, and perform such other functions regarding such schools as the Bishop may require. All schools shall comply with such Standards as well as the other provisions of this Canon.
- (b) Each school shall comply with licensing, health, safety, fire, and sanitation standards ~~at least equal to those~~ required at any time by state, county, and municipal health, safety, fire, and sanitation codes for the locality in which such school is located ~~and the Bishop or the Bishop's representative shall inspect, or cause to be inspected, at least annually, all schools in order to ascertain compliance with such codes and standards. In addition, each school shall maintain standards in all respects that will enable the Diocese to certify to all governmental authorities that such school is entitled to the benefit of exemption from all licensing provisions imposed by such governmental authority.~~

Section 11.3 Failure of Compliance

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

operated under the control, auspices, or approval of any such Parish, Mission, institution, or organization of the Diocese of Texas.

Section 11.4 Reports and Inspections

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

IF AMENDED:

Section 11.1 Relationship to the Diocese

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

Section 11.2 Standards of Compliance

- (a) The Bishop shall establish a Diocesan Commission on Schools consisting of no less than 5 nor more than 12 communicants in good standing in the Diocese. It shall be the duty of the Commission to publish (subject to the Bishop's approval) Standards for Episcopal Schools in this Diocese, give general supervision to all such schools, and perform such other functions regarding such schools as the Bishop may require. All schools shall comply with such Standards as well as the other provisions of this Canon.
- (b) Each school shall comply with licensing, health, safety, fire, and sanitation standards required at any time by state, county, and municipal health, safety, fire, and sanitation codes for the locality in which such school is located.

Section 11.3 Failure of Compliance

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

Section 11.4 Reports and Inspections

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

SUBMITTED BY: The Rev. David Dearman, Chair, The Commission on Schools

RATIONALE (by Rev. Dearman): The stricken language of Section 11.2(b) is misleading. Episcopal schools are not exempt from state licensing for childcare. They are also not exempt from government safety inspections, and the Diocese cannot and does not certify that any school is exempt from such inspections. Finally, while the right of the Bishop or the Bishop's representative to inspect schools for compliance is correctly set forth in Section 11.4, the Bishop or the Bishop's representative does not inspect all Episcopal schools annually, as the stricken language of Section 11.2(b) implies.

THE COMMITTEE RECOMMENDS THE ADOPTION OF THIS PROPOSAL.

Maria Boyce, Chair

COMMITTEE ON NOMINATIONS

Nominations for Diocesan Council 2019

Treasurer of the Diocese (1)

___ Linda Riley Mitchell, lay, Trinity, Houston

Secretary of the Diocese (1)

___ The Rev. Canon John Logan, clergy, Christ Church Cathedral, Houston

Standing Committee (1 lay, 1 presbyter)

___ The Rev. Meredith Crigler, clergy, Trinity, Baytown

___ The Rev. Ed Gomez, clergy, St. Paul's/San Pablo, Houston

___ The Rev. Jason Ingalls, clergy, Holy Spirit, Waco

___ Yvonne Carter-Johnson, lay, Grace, Houston

___ Gwendolyn Chance, lay, St James, Austin

___ Ellen Eby, lay, Holy Comforter, Angleton

Executive Board (3 lay, 2 clergy)

- ___ The Rev. Steven Balke, clergy, St. Stephen's, Beaumont
- ___ The Rev. Angela Cortiñas, clergy, St. Thomas, College Station
- ___ The Rev. Stephen Spicer, clergy, Christ Church, Eagle Lake
- ___ The Rev. Justin Yawn, clergy, Christ Church, Temple
- ___ Philip W. Berrie, lay, Emmanuel, Houston
- ___ Duane Dupont, lay, St. James, Houston
- ___ Carvel Glenn, lay, St. Stephens, Houston
- ___ Clark Moore, lay, Grace, Georgetown
- ___ Erin McClure, lay, St. David's, Austin
- ___ Sandra Montes, lay, Trinity, Houston

Trustee of the Church Corporation (1 lay or clergy)

- ___ Mark Browning, lay, St. Andrew's Bryan
- ___ Peter Boyd, lay, Christ Church, Tyler

Hannah Atkins, Chair

COMMITTEE ON RESOLUTIONS

The Committee received no resolutions for consideration at the 170th Council of the Episcopal Diocese of Texas.

Courtesy Resolutions of the 170th 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 144-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 170th 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 170th 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 170th 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 170th 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 170th Council of the Episcopal Diocese of Texas, assembled in The Woodlands, Texas, instructs the Secretary of the Council to send greetings to the Bishop-elect Cathleen Chittenden Bascom, President of the Council of Trustees of the Episcopal Diocese of Kansas.

Greetings to the Episcopal Diocese of Northwest Texas

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

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

RESOLVED, that the 170th 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 169th Council of the Episcopal Diocese of Texas, assembled in Waco, Texas, instructs the Secretary of the Council to send greetings to The Rt. Rev. Dr. Edward J. Konieczny, Bishop of the Episcopal Diocese of Oklahoma.

Greetings to the Episcopal Diocese of the Rio Grande

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

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

RESOLVED, that the 170th 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 Buerkel Hunn, 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 170th 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 170th 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. David Reed, Bishop of the Episcopal Diocese of West Texas.

Greetings to the Episcopal Diocese of Western Kansas

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

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

RESOLVED, that the 170th 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. Mark Andrew Cowell, 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 170th 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 seven seminarians preparing for Holy Orders attending the Seminary of the Southwest, Virginia Theological Seminary, and Sewanee School of Theology, as well as twenty-three 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 170th 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 Elizabeth Dabney, Carol Petty, Paulette Magnuson, Mary Wilson, Janice Jones, Doug Richnow, Marge Williams, Warren Miedke, Darrel Proffitt, Michael Wyckoff have faithfully served the Church and this diocese through their ministries in parishes, institutions, and boards; and

WHEREAS, these clergy retired from the active ministry during 2018; 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 170th 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, Sue Edmondson, Carol Petty, Alicia Alcantara, Alice Farrel-Devore, and Carol Barnwell have faithfully served the Episcopal Diocese of Texas through their ministries; and

WHEREAS, as members of the Diocesan Staff they retired during the year 2018; 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 170th Council of the Episcopal Diocese of Texas gives glory to God for their faithful witness and wishes them well in this new stage of life in Christ.

In Honor of Council Management Committee

WHEREAS, the people of the Episcopal Diocese of Texas saw fit to gather in 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 170th Annual Council of the Episcopal Diocese of Texas gives praise to God for the dedicated ministry of the Council Management Committee members, including the Rev. Canon Kathryn M. Ryan, Chair; Mary Cloud, Diocesan Council Coordinator; David Harvin, Chancellor ex officio; the Rev. William Fowler, Chair for the Dispatch of Business ex officio; Seth Hinkley, The Rev. Ken Fields, Susan Duif, Tammy Tiner, The Rev. Chad Martin, and Rob Montgomery.

Jimmy Grace, Chair

REPORTS OF BISHOPS, GENERAL CONVENTION AND SYNOD

REPORT OF BISHOP JEFF W. FISHER

In my opinion, this year of 2018 has been largely about The General Convention of the wider Episcopal Church, which the Diocese of Texas hosted in July in Austin. After over four years of preparation and planning work, we did it!

During those many years of preparation, Halley Ortiz of St. David's Austin and I served as co-chairs of our diocesan host team. With the help of hundreds of volunteers from every corner of our diocese and beyond, we rolled out the red carpet to not only the Church, but also the World. The Diocese of Texas night of entertainment on July 7 at the Palmer Center, an old-fashioned backyard BBQ, was a huge success. This was preceded by the Revival Worship, where I loved serving as revival worship leader, and being the "opening act" to our Presiding Bishop! The General Convention was filled with Holy Spirit moments; I don't think we are fully aware yet of how the experience has changed our people, as well as changed our diocese. Thank you to our wonderful host team, including Halley Ortiz, Scott Madison, Anthony Chapple, Cissy Warner, and all those who volunteered.

Bishop Doyle, Bishop Harrison, Bishop Monterroso, and I serve our Lord Jesus and this diocese as a team. At the end of this year, Bishop Harrison will retire, as we celebrate the countless ways in which she has enriched all of our lives. For the last six years, Bishop Harrison and I have shared a title: Bishop Suffragan of Texas. Bishop Harrison and I have

supported each other in ministry; I cannot imagine not sharing this ministry with her. And I will never be able to compact so much wisdom into one sentence in the same way that she does!

Susan and I have enjoyed many trips together with Dena and Larry, especially in annual retreats with the bishops suffragan (there are 11 of us) and spouses in the wider Church. The four of us have shared a lot of laughs, and a lot of love. Yet I rejoice with Dena and Larry in this new chapter of life for both of them. And I wait with anticipation to share the title again with a new bishop in the coming year, as we pray for the guidance of the Holy Spirit.

The Episcopal Seniors Foundation (ESF) is the successor to the St. James Foundation, which received the assets of St. James House of Baytown, a ministry of the diocese which was transferred in 2016. ESF has established our mission, vision, and core values. In February of this year, I was invited to make a presentation to the Older Adults group at Palmer Memorial in Houston; this “test drive” of our charter was received enthusiastically. The board of ESF met in retreat at Camp Allen in April, where we heard presentations from several people, to help us to compose grant guidelines and parameters. The board resolved to make our first grant to Camp Allen, to assist with their sponsorship of the successful annual Abundant Living Conference, which will be offered to seniors and other interested people, March 4-6, 2019. In 2019, we hope to award grants to churches and organizations who share our goals of fostering healthy living for seniors. I serve as chair of the board and Pam Nolting serves as president; together, we are a good team.

We have reorganized our team of Chaplains to the Retired Clergy, based upon convocational oversight. In 2018, Patty and the Rev. M. L. Agnew of Tyler resigned, after faithful service, as chaplains for the east region. Our reorganized team now includes: The Rev. Janne Osborne (Austin, Northwest, Central convocations), Pam and the Rev. John Bentley (West Harris and East Harris convocations), Sam and the Rev. Nan Doerr (Galveston and Southwest convocations), the Rev. Nancy and the Rev. Bill DeForest (San Jacinto and Southeast convocations), and Joanne and the Rev. Bob DeWolfe (Northeast convocation). In 2019, we will offer two retreats at Camp Allen for our Retired Clergy, Spouses & Surviving Spouses: the Abundant Living Conference (March 4-6) and the Diocese of Texas Retreat for the Retired (September 30-October 2; this retreat will be free of charge for the first time!).

This was a transition year for St. Vincent's House in Galveston. The Rev. Freda Marie Brown resigned as executive director at the end of 2017. In the spring, we embarked on a search process for a new executive director. This discernment process resulted in the hiring of Lisa Odom, who has extensive experience on Galveston Island and with case management. With the transition to a new executive director, this was the ideal time to transition the position of chair of the board from myself to Bishop Monterroso. I rejoice over my six years of service to St. Vincent's House, as this diocesan institution provides hope, healing, and transformation. Yet, I will not miss the drive down from Tyler to Galveston! With the transitions of 2018, and with new leadership, I look forward to great things for St. Vincent's House.

Small Church Network gathered twice in 2018 at Camp Allen. In April, we discussed small town and rural ministry, in a conversation led by staff from the Episcopal Health Foundation. In September, we gathered to explore laying aside old ministries in order to fully embrace new mission into our communities/towns. The fall presentations were led by Bishop Doyle and Canon Saylor. Small Church Network is for all people, lay and clergy,

in churches that usually have an average Sunday attendance of 50 or fewer. In the spring gathering in 2019, we will discuss liturgy and music in the small church. In the fall, we will explore issues of money and property, led by our diocesan finance team.

The leadership of our World Mission Board transitioned from Bishop Harrison to me at the beginning of 2018. The World Mission Board oversees grants to worthy ministries around the globe. Also, the World Mission board coordinates our companion relationships with three dioceses: North Dakota, Costa Rica, and Southern Malawi. In June, I led a pastoral visit to the Diocese of North Dakota, with four others from our diocese, where we traveled all over the state and all the way to the Canadian border. With Bishop Michael Smith of North Dakota guiding us, we visited almost half of the congregations in the diocese. We received new ideas for greater engagement, going deeper than just financial assistance, between Texas and North Dakota. In October, Susan and I traveled to the Diocese of Costa Rica with the Rev. Eileen O'Brien. Our main purpose was to serve at the consecration of their new bishop, Orlando Gomez. We also got to know many of the people and congregations, as well as drink excellent coffee. The vestments and mitre presented to Bishop Gomez at his consecration are a gift from the people of the Diocese of Texas.

Bishop Doyle has asked me to chair a new Liturgical Commission in our diocese. During 2018, we have gathered together this commission, which is a group of priests and lay persons, including church musicians. We are beginning our work by looking at the liturgy in our Prayer Book for the Celebration of a New Ministry (installation of a new rector), and how we might incorporate some of the revisions to this liturgy that have been created within the wider Church. In 2019, we plan to look at resources, especially for small churches, on non-Eucharistic Sunday morning worship. Also, we will examine the liturgy for the Holy Eucharist, with an eye to more expansive language for God. As resolved at The General Convention this year, the 1979 Book of Common Prayer has been memorialized, and can always be used for worship, now and in the future. The Liturgical Commission in our diocese is just exploring and making recommendations on other available options for congregations to use in worship, with Bishop Doyle's permission.

At the request of Bishop Doyle, a Peace and Justice Task Force has been assembled. This is a writing group, so that we may have, at the ready, biblically and theologically sound writings on such topics as immigration, health, racial reconciliation, and gun violence. Our task force has been divided up into writing groups; they are hard at work now. The task force is comprised of a diverse group of clergy and laity who have a passion for promoting peace and justice among all of God's people. I am pleased that Bishop Doyle has asked me to chair this effort because these issues, especially racial reconciliation, are points of passion for my ministry in this diocese.

I presided and preached at the Opening Eucharist for both of the Daughters of the King Assembly meetings (in February at Christ Church, Temple, and in September at Camp Allen). Because of the bishop consecration in Costa Rica, I was unable to attend the Annual Retreat for Women (Episcopal Church Women) at Camp Allen in October. I enjoy offering spiritual encouragement to these diocesan ministries for women.

Although I am the liaison for the Diocesan Altar Guild, I was unable to attend their annual retreat in the spring. I did not include the altar guild in the above paragraph, because altar guild is a ministry of both women and men!

I serve on the Board of All Saints' Episcopal School in Tyler. The Tyler Diocesan Center is on campus; it is great to be among students. I participate regularly in all-school chapel events. In 2018, I preached at both of the school Ash Wednesday services and officiated in May at the Baccalaureate worship for graduating seniors.

Bishop Russell Kendrick of the Diocese of the Central Gulf Coast invited me to lead their annual diocesan men's retreat in March. I was able to dust off and update some material I developed as a seminarian and as a priest, when I used to regularly lead men's retreats. In our current environment, a fresh examination of masculinity was timely and welcomed; a spirit of vulnerability and honesty was present in our retreat time.

I now serve on the National Executive Board of the Episcopal Peace Fellowship, which is a good complement to our peace and justice work in this diocese. My first meeting with the board was in a chilly (freezing) Chicago in April. In 2018, my main contributions to the Episcopal Peace Fellowship were serving on the subcommittee to select a new executive director and conducting an appeal to some of my fellow bishops for financial support.

In addition to our time together at The General Convention, the House of Bishops also gathered in March at our own Camp Allen. I always enjoy showing off the extraordinary hospitality and beauty of Camp Allen to my colleagues. I was honored to preach at the House of Bishops Closing Eucharist.

In December of 2018, I completed my sixth and final year of service on the Joint Audit Committee of the Executive Council and the DFMS (the official name of The Episcopal Church). This small committee of six people serves with integrity and honesty. Given that prior to my ordination, I was a CPA and an auditor, it has been my privilege to blend together the two vocations of my life in this work. I will miss the occasional trips to the Episcopal Church Center in New York City (including a good dinner and a show), and I will miss the two other Episcopalians (from Idaho and California) whom I served with for these last six years.

During the General Convention, and in the months leading up to that meeting, I served on the Program, Budget and Finance (PB&F) Committee of The Episcopal Church. This committee presents the budget for the wider Church and I am proud that our committee made budgeting priorities based upon mission. In November, I was appointed to serve on PB&F again, for the triennium 2018-2021. I look forward to continued service on this committee, allocating our resources wisely and with our focus always on the mission of Jesus Christ.

In closing, the very best part of my job, is being in congregations on Sundays. Sunday after Sunday, I drive my Honda Pilot to your churches. I see the amazing diversity within our diocese, and I experience that our unity is centered on our common love of the risen Jesus. Through the sacrament of Confirmation or Reception, faithful and questioning people stand in front of me, just inches from me; I see in each person's eyes a snapshot of their long and winding journey of faith. Being invited into this intimate, significant, sacramental moment blows me away, each and every time.

As Jesus is born again day by day into your hearts, thank you for inviting me to witness his Incarnation.

Jeff W. Fisher, Bishop Suffragan

REPORT OF BISHOP HECTOR F. MONTERROSO

As part of my ministry in the Diocese of Texas, serving as a Bishop Assistant, I would like to share with this honorable Council my report of activities held during the year 2017.

Ordinations

Beginning the year with the celebration of ordinations to the priesthood is always a good start. This year during the month of January, I had the privilege of ordaining into the priesthood, David Wantland, at Palmer Memorial, Houston and Matt Stone, at Saint Andrew's, Bryan, on January 6th and January 13th respectively.

Celebration of New Ministry:

During this time, I was also able to preside at the celebration of New Ministry of The Rev. Meredith Clinger who was installed as Rector of Trinity Episcopal Church in Baytown, of The Rev. Scott Painter as Vicar of Grace Episcopal Church, in Houston and The Rev. Mark E. Chambers, who was installed as Rector of the Holy Trinity Church, Port Neches.

The Executive Team

One of the administrative and executive features that the diocese of Texas develops is the work of the Executive Team. This group is formed by the diocesan bishop, the bishops suffragan, the bishop assistant, the canon to the ordinary, the chief of staff and the chief of finance. It is an organization almost unique in the diocesan administrative model of the Episcopal church. This group of 7 people who represent different ministries within the Episcopal church meets regularly to plan and follow up the planning, assess the development of the budget, to discuss general pastoral matters, all of this with the purpose of maintaining a clear vision of the Diocese. This coordinated work focuses on the work of the Church and keeps us in the same prospect of achieving the goals set in the context of the overall vision of the Church. As part of this team and with experience working in other dioceses, I can point out that this work experience is unique and an example for other dioceses.

College of Bishops

The College of Bishops is a program created by the Episcopal Church to support the new bishops or bishops who are transferred from another jurisdiction of the Anglican Communion to the jurisdiction of the Episcopal Church. As a new bishop in the Episcopal Church I have been invited to participate in this program. This process is very positive and helps me to know and be part of the culture of the Episcopal Church and to know about the development of the role and challenges of the bishops. The program lasts three years. This year I participated in two sessions scheduled in Virginia with which I finished my first year of training.

General Convention

I am an active participant in General Convention as a member of the House of Bishops and also as part of one of the internal committees of General Convention; the Church vitality Committee. It was very interesting to see the different perspectives of how in The Episcopal Church we understand the vitality of the congregations. The resolutions we received to revitalize the church were two, one related to the revision of the parish report and another regarding the revision of the Provincial structure. It was a bit frustrating since I was waiting as part of that group to see and talk about the different initiatives to strengthen our missionary work. However, I was able to share mission ideas and initiatives from the perspective of the Diocese of Texas.

St. Vincent's House

This year we completed the transition with bishop Jeff Fisher who served as Chair of Saint Vincent House for the last few years. As of June, I assumed this responsibility and with the board we are implementing a Strategic Plan for the next two years and working on a long-term plan that will provide the projections of our work for the next five years in the Galveston area.

El Buen Samaritano

As of October, I have assumed the responsibility of Chair of El Buen Samaritano. I assume this responsibility to continue with the work and ministry of Bishop Dena Harrison who accompanied El Buen for a long time.

The Diocese of Texas' Hurricane Harvey Recovery.

A recent addition to my ministry in the Diocese has been the coordination of the recovery ministry after the disaster caused by Hurricane Harvey. The Office headed by the Rev. Stacy Stringer develops outstanding work. The search for financial and human resources to coordinate the efforts of reconstruction are wonderful and the efforts have been fruitful. In the last 12 months we have been able to help repair, rebuild and restore the homes of around 100 families and have supported over 200 families with many other types of recovery assistance through disaster needs assessment. Our long-term recovery work continues and the projections and expectations for the year 2019 are high. It is important to thank all the congregations and individuals who contribute constantly with their time and resources to restore hope to many people affected by the floods we suffered last year.

Celebration of the Conference of the Hispanic Ministry.

In June, we celebrated the Hispanic Ministry Conference in which around 253 leaders of congregations that celebrate in Spanish in our Diocese participated. One of the main objectives of the conference that is held each year, is to provide the lay ministers of our Spanish ministry with evangelistic tools and missionary strategies to increase our presence and invite more people to join the Church in the task of building the Kingdom of God. In addition, the Conference offers an opportunity to call for reflection and discernment on ordained ministry. After the celebration of the Conference we have a list of people reflecting on the ordained ministry.

Pastoral Visits

During this year I had the opportunity to make 46 pastoral visits. Without a doubt, celebrating the sacraments and knowing personally many of the members of our Churches is something that I really enjoy. The Diocese has developed a very positive procedure for sharing time with the Parish Vestry and the Bishop's Committees. I thank all the churches that take the invitation made before our visit very seriously to answer key questions. These responses provide the Diocesan structure with the opportunity to support parish ministry and connect us with the diocesan vision.

Ministry in the Episcopal Church and Anglican Communion.

Part of the ministry of the bishops includes relationships and exchange of experiences with other dioceses, commissions and agencies of the Church. As bishop of this diocese I have been invited to participate in some events, commissions and committees of the Episcopal Church, some of which include: participation in the consecrations of bishops of the Dioceses of Delaware, Costa Rica and Rio Grande. As a member of the Task Force on Liturgical & Prayer Book Revision. In addition, I have been invited to be part of the event faculty of the Wellness Conference for the Dioceses of Puerto Rico and Virgin Islands to be held in

January 2019, sponsored by the Church Pension Fund.

This has been a good year, on a personal level I feel more and more a part of this Church that has welcomed me with great hospitality and with much affection. Their prayers, friendship and ministry are fundamental to working as a team and together finding the best way to serve and develop our call to proclaim the good news and to serve.

Hector F. Monterroso, Bishop Assistant

REPORT OF BISHOP RAYFORD B. HIGH

As Bishop Suffragan, Resigned, I participated in the following services and ministries: Celebrated at 2 Burial of the Dead services; Preached/Celebrated at 2 Eucharists; 5 Pastoral Visits; Participant in the Consecration of Michael Hunn, Bishop of the Rio Grande, and attended General Convention representing the Dioceses of Texas and Fort Worth. It is an honor to continue to serve in the Diocese of Texas, as one of its Bishops.

Rayford B. High, Jr.

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

REPORTS OF OFFICERS OF THE DIOCESE

HISTORIAN

The most recent edition of the history of the Episcopal Diocese of Texas may be obtained from the diocesan office. As part of the ongoing process to record our history, a project to write the biography of our fifth bishop, the Rt. Rev. J. Milton Richardson, has begun. The purpose of this book is not only to share the story of his life and ministry, but the history of the diocese during his tenure (1965 - 1980).

Jimmy Abbott, Diocesan Historian

REGISTRAR

As registrar of the Diocese of Texas, I certify that to date in 2018, all ordinations held within the diocese and all transfers of clergy as well as clergy changes in each congregation have been duly recorded.

John A. Logan, Jr., Registrar

SECRETARY

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

Again this year, delegate registration and certification forms for the 170th Council are to be filed online (do not send copies to the Diocesan Center). Forms of other materials for 2019 (such as the list of appointed/elected parochial officers) are already available on the diocesan Web site as a part of the Council registration forms. Please remember that Council registration and all of the other requested material is to be completed online. If you need assistance completing any of these forms, please contact the Diocesan office at ngaspar@epicenter.org.

As has been the case for the last several years, login ids and passcodes for Parochial Reports will be mailed 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 February 1. After January 1, we will be checking daily to see which Reports have been filed. If your Report is not on file by February 20, 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

THE EPISCOPAL DIOCESE OF TEXAS

The information provided is for the period January 1 - November 30, 2018

DIOCESAN BUDGET

	Year to Date Amounts	2018 Adopted Budget
REVENUES		
Assessments	7,208,224	7,863,517
Foundation Support	320,833	350,000
Foundation Overhead	1,842,637	2,075,946
Other Revenues	627,729	772,886
TOTAL REVENUES	9,999,423	11,062,349
EXPENDITURES		
THE OFFICE OF THE BISHOP		
		1,619,949
Clergy Compensation	1,446,198	709,281
Lay Staff Compensation	661,086	370,500
Business and Travel Expense	312,480	110,000
Clergy Conference	106,056	
	2,525,820	2,809,730

CANONICAL EXPENSES

		321,800
Diocesan Council	281,487	
		50,000
General Convention	43,001	
		128,200
Other	97,032	
	421,520	500,000

MINISTRY EXPENSES

Staff Compensation	930,355	983,622
Communications	58,990	97,200
Transition Ministry	55,044	86,000
Wellness and Care Ministry	77,545	87,000
Other Ministry Expenses	397,638	432,600
	1,519,572	1,686,422

MISSION AMPLIFICATION

Staff Compensation	694,181	760,320
Christian Formation/Youth	138,324	187,600
Texas Episcopal Service Corps	105,278	167,709
Intercultural Development	19,942	30,500
Total Congregational Vitality	47,214	81,500
Other	64,380	96,000
	1,069,319	1,323,629

SERVICE AND OUTREACH

Support of the Episcopal Church	1,216,565	1,327,162
Support of the Anglican Communion	250,000	300,000
World Mission & Companion Dioceses	95,683	152,436
Other	66,395	64,500
	1,628,643	1,844,098

ADMINISTRATIVE EXPENSES

Staff Compensation	738,655	836,579
Information Technology	342,160	320,520

Overhead reimbursement to the EDOT FSC	264,897	288,978
Utilities, Janitorial, Repair and Maintenance	261,497	296,000
General Office Expense	172,414	212,500
HR Consulting and Other Transition Costs	33,291	10,000
Health Insurance	216,748	617,846
Other Insurance	105,058	124,547
Other	212,849	191,500
	2,347,569	2,898,470
TOTAL EXPENSES	9,512,443	11,062,349
REVENUES OVER (UNDER) EXPENSES	486,980	-
Special accounts	(189,322)	
NET CHANGE IN ASSETS	297,658	-

Linda Riley Mitchell, CFO

EXECUTIVE BOARD

There have been four meetings of the Executive Board since the report to the 169th Annual Council. There will be one final 2018 meeting in December that will be reported in volume I of the Journal of the 171st.

Wednesday, December 13, 2017: The Governance Committee continued its review of the Diocesan Constitution and Canons along a series of Council questions as to the balance of power at Council, diversity at Council, the difficulty of available locations, the seating of new congregations, and the fact that Council will continue to grow. The 2018 Budget was approved for recommendation to Council. The 2018 Budget was described as a “break even” Budget. The Foundations played a significant role in the 2018 Budget that saw revenue increasing at a faster rate than expenditures. The recommendations of the Remuneration Committee are reflected in the 2018 Budget. The 2018 Housing Resolution was adopted. The Board heard from Episcopal Relief and Development of their work in the Diocese since Hurricane Harvey. Recovery is going to be along process with ERD “walking

alongside” the Diocese.

Saturday, February 17, 2018: The Executive Board met immediately following the adjournment of the 169th Council. Bishop Harrison was elected as Vice-President. Linda Mitchell was elected as Treasurer and Canon Logan as Secretary. Elected as the Executive Board representative on the Nominations Committee was Betsy Sullivan. The normal Board schedule and Meetings were explained by the Bishop. The use of the computer program “Base Camp” for Executive Board communications was also explained.

Wednesday, March 14, 2018: A Task Force was announced to review the Budget adoption process as well as comments. Proposals will be reported back to the Board at the September meeting. The Audit has been completed and was received. A revised Housing Resolution was adopted. A report from the Governance Committee in relation to the size of the Annual Council will be made at the September meeting of the Board. It was announced that the Saint James House Foundation has been renamed the Episcopal Seniors Foundation. The Small Church Network is largely made up of rural and small town ministries with an ASA of less than fifty. Following an Executive Session the Board announced that Sandra Ward had been chosen to fill the vacancy created by the resignation of Greg Vincent.

Wednesday: September 5, 2018: After discussion, the 2019 Assessments were adopted. It was recommended that for those missions where meeting the 5% of operating revenues would create a hardship, the assessment would be increased gradually over three years. As a result of Hurricane Harvey, a final canonical revision was approved for submission to Council. The Canon would provide for better records keeping. Discussion was held on reducing the number of parish delegates from four to three. Also discussed were questions involving the number of venues in which Council could be held. Also discussed was a plan that would permit amendments to the Finance Committee. The Reverend Tony Clark was elected to fill the unexpired term of The Reverend Lisa Hines following her resignation in order to serve as Canon for Wellness & Safe Church Ministry.

John A. Logan, Jr., Secretary

DIOCESAN FOUNDATIONS

THE BISHOP QUIN FOUNDATION

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

Trustees are appointed to overlapping three-year terms by the Council of the Diocese of Texas. The Bishop and Treasurer of the Diocese are *ex officio* members of the board, with voice and vote. Elected members during the past year included; Ms. Sue Green, Dr. John Hancock, and The Rev. Bill Fowler (terms expiring in 2019), The Rev. Jason Ingalls, Mr. Jerry Campbell, and Mr. Clark “Corky” Moore (terms expiring in 2020), and Mr. Bob Biehl, The Rev. Kellaura Johnson, and Ms. Melinda Little (terms expiring in 2021). Officers elected by the Board were The Rev. Bill Fowler, President; Dr. John Hancock, Vice-President; Ms. Linda R. Mitchell, Treasurer; Mr. David N. Fisher, Secretary; and Ms. Angela Smith, Assistant Secretary.

The Foundation established the following committees:

- Executive Committee – Conducts foundation business between meetings of the board. Members are; The Bishop of Texas (Chairman), Bill Fowler (President & Convener), John Hancock, Sue Green, and the Treasurer of the Diocese.
- Finance Committee – Monitors and evaluates the foundation's investments, oil and gas properties, and loan performance. Members are; Bill Fowler, Corky Moore, Jerry Campbell, Linda Mitchell, and David Fisher.
- Quin / EFT/ GCF Strategic Mission Grant Committee – Joint Venture which supports the growth of congregations within the Episcopal Diocese of Texas. Bishop Quin Foundation members of the SMG Committee are: John Hancock, Kellaura Johnson, Jason Ingalls, Sue Green, Bob Biehl, and Melinda Little.

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

The Strategic Mission Grant program is a collaborative venture with the Episcopal Foundation of Texas and the Great Commission Foundation. The Strategic Mission Grants Committee (SMG) has a dedicated website www.smgedot.org for processing grant applications and managing active grants. This interactive website includes videos, stories, and motion graphics that convey information about the grant program using multiple media formats. The site has a complete translation in Spanish. The grant focus includes encouraging congregations to engage with their surrounding communities, focus in invitation, and the funding of missional communities.

In 2018, the Bishop Quin Foundation provided a grant to support the cost of the programming and schematic design work for a new radiation oncology center for the Al Ahli Arab Hospital in Gaza City, Gaza. This hospital is a ministry of the Anglican Diocese of Jerusalem. The Bishop Quin Foundation was especially active in 2018 providing grants to congregations in the Diocese that had been impacted by Hurricane Harvey.

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

Bill Fowler, President

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

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

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Independent Auditors' Report

To the Board of Trustees of
The Bishop Quin Foundation:

We have audited the accompanying financial statements of The Bishop Quin Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

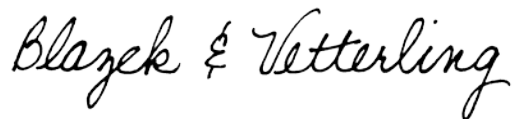
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



June 20, 2018

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

Statements of Financial Position as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash (<i>Note 3</i>)	\$ 115,803	\$ 218,654
Receivables from other Diocesan operating entities	125,955	114,325
Notes receivable (<i>Note 2</i>):		
Church Corporation	447,136	444,835
Related entities, net	401,283	413,490
Investments (<i>Note 3</i>)	38,147,392	33,571,810
Land	<u>180,601</u>	<u>180,601</u>
TOTAL ASSETS	<u>\$ 39,418,170</u>	<u>\$ 34,943,715</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 14,657	\$ 27,573
Due to other Diocesan operating entities	46,865	67,898
Grants payable (<i>Note 4</i>):		
Related entities, net	94,750	164,000
Diocesan operating entities	<u>226,250</u>	<u>44,260</u>
Total liabilities	<u>382,522</u>	<u>303,731</u>
Commitments (<i>Note 5</i>)		
Unrestricted net assets:		
Board-designated revolving fund	2,587,977	2,624,678
Board-designated permanent fund	<u>36,447,671</u>	<u>32,015,306</u>
Total unrestricted net assets	<u>39,035,648</u>	<u>34,639,984</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,418,170</u>	<u>\$ 34,943,715</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE:		
Investment return (<i>Note 3</i>)	\$ 5,885,111	\$ 3,383,777
Support from Diocesan operating entities	243,735	472,555
Interest on notes receivable from related entities	18,583	30,458
Interest on notes receivable from Diocesan operating entities	10,906	
Grant reversion	<u>24,340</u>	<u> </u>
Total revenue	<u>6,182,675</u>	<u>3,886,790</u>
EXPENSES:		
Program services:		
Grants to related entities	744,152	1,534,483
Grants to other Diocesan operating entities	<u>474,182</u>	<u>209,375</u>
Total program services	1,218,334	1,743,858
Supporting services:		
Diocesan operating entities – administrative services	286,930	273,233
Investment management fees	116,080	92,748
Mineral interest and production expenses	132,625	68,185
Other management and general	<u>33,042</u>	<u>40,778</u>
Total expenses	<u>1,787,011</u>	<u>2,218,802</u>
CHANGES IN UNRESTRICTED NET ASSETS	4,395,664	1,667,988
Unrestricted net assets, beginning of year	<u>34,639,984</u>	<u>32,971,996</u>
Unrestricted net assets, end of year	<u>\$ 39,035,648</u>	<u>\$ 34,639,984</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 4,395,664	\$ 1,667,988
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(2,523,521)	(1,943,000)
Grant of land to a parish		393,629
Changes in operating assets and liabilities:		
Receivables from other Diocesan operating entities	(11,630)	63,160
Accounts payable and accrued expenses	(12,916)	15,687
Due to other Diocesan operating entities	(21,033)	46,130
Grants payable	<u>112,740</u>	<u>(45,340)</u>
Net cash provided by operating activities	<u>1,939,304</u>	<u>198,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	10,875,838	100,000
Purchases of investments	(12,213,408)	(1,018,373)
Change in money market mutual funds held as investments	(714,491)	(8,721)
Advances made on notes receivable	(2,301)	
Payments received on notes receivable	<u>12,207</u>	<u>84,230</u>
Net cash used by investing activities	<u>(2,042,155)</u>	<u>(842,864)</u>
NET CHANGE IN CASH	(102,851)	(644,610)
Cash, beginning of year	<u>218,654</u>	<u>863,264</u>
Cash, end of year	<u>\$ 115,803</u>	<u>\$ 218,654</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements for the years ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Bishop Quin Foundation (the Foundation) is a Texas nonprofit corporation, created in 1943 to commemorate the 25th anniversary of the consecration of the Right Reverend Clinton S. Quin as Bishop. It was incorporated in 1955 and organized under Title V, Canon 2, as amended, of the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. The broad objectives of the Foundation include such religious, charitable, and educational activities as determined by the Bishop and the Board of Trustees to be in furtherance of the spiritual and physical welfare of the Diocese. Members of the Board of Trustees are elected by the Council of the Diocese on nomination by the Bishop and include the Bishop as an ex-officio member and Chair of the Board of Trustees.

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

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

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

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

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

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, 2017, all known impaired loans have been reserved in the allowance for loan losses.

Investments in marketable securities 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 sale, or stated fair value at the last day on the fiscal year, respectively. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of income is limited by donor-imposed restrictions.

Land is reported at cost.

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

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

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

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

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

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The Foundation is required to adopt this ASU for fiscal year 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – NOTES RECEIVABLE

Diocesan operating entities

The Foundation has a note agreement with Church Corporation at an interest rate of 2.5% due to be repaid in 2018. The remaining balance, including principal plus accrued interest at December 31, 2017, is \$447,136.

Related entities

The Foundation provides loans to Diocesan institutions to finance Diocesan projects. Repayment terms and interest rates vary and are flexible to meet the needs of the related entities. Interest rates range from 4.25% to 6% and repayment terms require periodic payments of principal and interest over periods ranging from 2 to 30 years.

Notes receivable from related entities consist of the following:

	<u>2017</u>	<u>2016</u>
Notes secured by real and other property	\$ 494,518	\$ 505,459
Unsecured notes receivable	<u>37,102</u>	<u>38,368</u>
Total notes receivable from related entities	531,620	543,827
Allowance for loan losses	<u>(130,337)</u>	<u>(130,337)</u>
Notes receivable from related entities, net	<u>\$ 401,283</u>	<u>\$ 413,490</u>

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASU 2015-07, *Fair Value Measurements*, investments for which fair value is measured at net asset value per share (or its equivalent) using the

practical expedient have not been categorized in the fair value hierarchy. The three levels of the fair value hierarchy are as follows:

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

Assets measured at fair value at December 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic bond mutual funds:				
Intermediate-term	\$ 9,623,610	\$ 9,623,610		
High-yield	1,395,835	1,395,835		
Inflation protected	1,055,584	1,055,584		
Domestic equity mutual funds:				
Large-cap index	3,564,252	3,564,252		
Large-cap value	1,814,060	1,814,060		
Large-cap growth	1,809,350	1,809,350		
Small-cap growth	1,130,514	1,130,514		
Small-cap value	1,120,806	1,120,806		
International equity mutual funds:				
Large-cap growth	2,977,928			2,977,928
Large-cap value	2,966,894			2,966,894
Emerging markets	2,729,432			2,729,432
Master limited partnership mutual fund	2,465,855			2,465,855
International bond mutual funds	1,769,355			1,769,355
Real estate exchange-traded fund	1,022,319			1,022,319
Money market mutual funds	763,716			763,716
Commodity mutual fund	<u>755,348</u>			<u>755,348</u>
Total investments	<u>\$ 36,964,858</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>36,964,858</u>
Other investments measured at net asset value using the practical expedient:				
Investments in partnerships:				
Investment in EH Investment Fund, L.P. (a)				<u>1,182,534</u>
Total assets measured at fair value				<u>\$ 38,147,392</u>

Assets measured at fair value at December 31, 2016 are as follows:

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

- (a) EH Investment Fund, L.P. is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of EHF over full market cycles of seven to ten years. The fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the fund will invest in include: global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed income, and cash and equivalents. Hall Capital Partners, LLC serves as the investment manager and the general partner (via one of its subsidiaries). There are two limited partners: EHF and the Foundation. The general partner uses 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.

As of December 31, 2017, EHF had a 99.89% interest in the fund and the Foundation had a .11% interest. At any given time, one third of the fund's portfolio assets can be liquidated within 30 days. Redemptions are allowed at the end of each month with 10-days prior written notice. There are no unfunded commitments at December 31, 2017.

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

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Investment in EH Investment Fund, L.P.* is valued at the net asset value utilized as a practical expedient as determined by the general partner and supported by the audited financial statements of the fund.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the security is 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 the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

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

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

	<u>2017</u>	<u>2016</u>
Interest, dividends and capital gain distributions	\$ 1,621,563	\$ 1,035,007
Net realized and unrealized gain	2,523,521	1,943,000
Royalty income	<u>1,740,027</u>	<u>405,770</u>
Total investment return	<u>\$ 5,885,111</u>	<u>\$ 3,383,777</u>

NOTE 4 – GRANTS PAYABLE

Grants payable at December 31, 2017 are expected to be paid as follows:

2018	\$ 302,250
2019	<u>18,750</u>
Total	<u>\$ 321,000</u>

The Foundation has made approximately \$1,554,000 in grants to Diocesan operating entities and other related entities that are conditional upon certain events and have not been recognized as grants payable at December 31, 2017. Included in these amounts is approximately \$960,000 in a grant to EDOT to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects.

NOTE 5 – 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, 2017, the agreement and the related transactions had not been exercised, but are an ongoing commitment of the Foundation.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

CHURCH CORPORATION

The Protestant Episcopal Church Council of the Diocese of Texas, popularly known as the “Church Corporation,” serves the diocese by providing a vehicle for professional investment management to congregations and institutions throughout the diocese. This vehicle is called the Participating Fund and allows participants to pool their funds with others to achieve economies of scale and quality fiduciary management. Accounts of all sizes are accepted and invested together with the Church Corporation's own funds by fourteen nationally known investment managers in diversified asset classes.

The Church Corporation also serves the diocese by holding title to property used by churches, day schools, outreach ministries, and other diocesan entities and by administering the Clergy Housing Trust and the Episcopal Housing Trust. The Church Corporation assists these entities in the stewardship of those properties through oversight and advice on planning, maintenance, expansion, and financing in furtherance of their mission. The financial activities of the Church Corporation are summarized in the statements that follow. The five trustees: David T. Harvin; Helen L. Toombs; Peter Boyd; Charles W. Hall; and I were ably assisted in 2018 by Linda R. Mitchell, Assistant Treasurer; David N. Fisher, Assistant Secretary/Treasurer; and Angela Smith, Assistant Secretary.

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

JoLynn Free, President

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

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Protestant Episcopal Church Council of the Diocese of Texas, which comprise the statements of financial position as of December 31, 2017 and 2016 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.

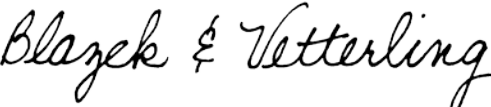
Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain 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, 2017 and 2016 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.



June 20, 2018

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 68,742	\$ 802,256
Notes receivable (<i>Note 2</i>):		
Clergy	304,980	560,739
Parishes and schools, net of allowance of \$17,000 in 2017 and 2016	2,066,735	2,174,941
Other, net of allowance of \$249,000 in 2017 and 2016	397,976	423,475
Land and buildings held for sale	2,666,800	1,543,634
Other assets	226,056	163,858
Beneficial interest in a trust (<i>Note 3</i>)		4,157,898
Investments (<i>Note 3</i>)	41,256,257	31,122,418
Property, net (<i>Note 4</i>)	<u>10,038,162</u>	<u>9,487,885</u>
TOTAL ASSETS	<u>\$ 57,025,708</u>	<u>\$ 50,437,104</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 29,211	\$ 35,468
Due to Diocesan operating entities	86,545	57,773
Funds held for related entities	17,168,730	13,497,705
Notes payable (<i>Note 5</i>)	<u>9,001,440</u>	<u>8,558,773</u>
Total liabilities	<u>26,285,926</u>	<u>22,149,719</u>
Commitments and contingencies (<i>Note 6</i>)		
Net assets (<i>Note 10</i>):		
Unrestricted (<i>Note 7</i>)	10,454,129	10,032,807
Temporarily restricted (<i>Note 8</i>)	16,174,188	14,447,203
Permanently restricted (<i>Note 9</i>)	<u>4,111,465</u>	<u>3,807,375</u>
Total net assets	<u>30,739,782</u>	<u>28,287,385</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 57,025,708</u>	<u>\$ 50,437,104</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, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE:				
Contributions	\$ 18,047	\$ 149,523		\$ 167,570
Contribution of property from a parish	937,000			937,000
Change in value of beneficial interest in a trust		101,182		101,182
Investment return, net (<i>Note 3</i>)	554,442	1,797,429	\$ 304,090	2,655,961
Interest on notes receivable	102,985			102,985
Support from other Diocesan operating entities (<i>Note 5</i>)	226,462			226,462
Loss on valuation of property held for sale	(463,834)			(463,834)
Total revenue	1,375,102	2,048,134	304,090	3,727,326
Net assets released from restrictions:				
Participating Fund distributions	321,149	(321,149)		
Total	1,696,251	1,726,985	304,090	3,727,326
EXPENSES:				
Program services:				
Property costs for related entities	255,963			255,963
Imputed interest on note payable to Great Commission Foundation	226,462			226,462
Grants to other Diocesan operating entities	123,082			123,082
Grants to related entities	98,420			98,420
Grants to unrelated entities	73,550			73,550
Total program services	777,477			777,477
Management and general supporting services:				
Diocesan operating entities – administrative services	306,780			306,780
Investment management and custodial fees	98,464			98,464
Other	92,208			92,208
Total expenses	1,274,929			1,274,929
CHANGES IN NET ASSETS	421,322	1,726,985	304,090	2,452,397
Net assets, beginning of year	10,032,807	14,447,203	3,807,375	28,287,385
Net assets, end of year	\$ 10,454,129	\$ 16,174,188	\$ 4,111,465	\$ 30,739,782

See accompanying notes to financial statements.

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

Statement of Activities for the year ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Contributions	\$ 36,768	\$ 954,282		\$ 991,050
Change in value of beneficial interest in a trust		927,778		927,778
Investment return, net (Note 3)	286,804	792,617	\$ 131,305	1,210,726
Interest on notes receivable	116,956			116,956
Support from other Diocesan operating entities (Note 5)	176,967			176,967
Other	<u>95,983</u>			<u>95,983</u>
Total revenue	713,478	2,674,677	131,305	3,519,460
Net assets released from restrictions:				
Participating Fund distributions	<u>346,329</u>	<u>(346,329)</u>		
Total	<u>1,059,807</u>	<u>2,328,348</u>	<u>131,305</u>	<u>3,519,460</u>
EXPENSES:				
Program services:				
Property costs for related entities	207,730			207,730
Imputed interest on note payable to Great Commission Foundation	176,967			176,967
Grants to other Diocesan operating entities	169,936			169,936
Grants to related entities	243,165			243,165
Grants to unrelated entities	<u>63,243</u>			<u>63,243</u>
Total program services	861,041			861,041
Management and general supporting services:				
Diocesan operating entities – administrative services	331,423			331,423
Investment management and custodial fees	80,766			80,766
Other	<u>92,829</u>			<u>92,829</u>
Total expenses	<u>1,366,059</u>			<u>1,366,059</u>
CHANGES IN NET ASSETS	(306,252)	2,328,348	131,305	2,153,401
Net assets, beginning of year	<u>10,339,059</u>	<u>12,118,855</u>	<u>3,676,070</u>	<u>26,133,984</u>
Net assets, end of year	<u>\$ 10,032,807</u>	<u>\$ 14,447,203</u>	<u>\$ 3,807,375</u>	<u>\$ 28,287,385</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,452,397	\$ 2,153,401
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	98,023	100,023
Contribution of property from a parish	(937,000)	(79,800)
Loss on valuation of property held for sale	463,834	
Change in value of beneficial interest in a trust	(101,182)	(927,778)
Net realized and unrealized gain on investments	(3,743,798)	(1,436,280)
Changes in operating assets and liabilities:		
Other assets	(62,198)	6,596
Accounts payable and accrued expenses	(6,257)	(2,005)
Due to Diocesan operating entities	28,772	(13,779)
Funds held for related entities	<u>3,671,025</u>	<u>1,715,603</u>
Net cash provided by operating activities	<u>1,863,616</u>	<u>1,515,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	389,464	319,453
Advances on notes receivable		(576)
Proceeds from sales of investments	11,429,797	6,381,971
Purchases of property	(1,298,300)	
Purchases of investments	(14,286,040)	(7,830,218)
Net change in money market mutual funds held as investments	<u>725,282</u>	<u>233,784</u>
Net cash used by investing activities	<u>(3,039,797)</u>	<u>(895,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	442,667	
Payments on notes payable		(79,797)
Net cash provided (used) by financing activities	<u>442,667</u>	<u>(79,797)</u>
NET CHANGE IN CASH	(733,514)	540,598
Cash, beginning of year	<u>802,256</u>	<u>261,658</u>
Cash, end of year	<u>\$ 68,742</u>	<u>\$ 802,256</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$71,524	\$68,535

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, 2017 and 2016

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

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

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

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

Notes receivable are reported at estimated net realizable value. Allowances for notes receivable are provided when it is believed they may not be collected in full and 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 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, 2017, 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 the lower of cost or fair value (net of selling costs).

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. During 2016, the remaining beneficiary became deceased and Church Corporation received the distribution of assets in 2017. Distributions received from the trust are classified as investment return.

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

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

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

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

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

- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. The investment return from these assets may be used to fund specific activities of Church Corporation.

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

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

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. Church Corporation is required to adopt this ASU for fiscal year 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

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 1 to 20 years. These notes receivable are secured by land and houses. Additionally, Church Corporation provides property loans to parishes and missions within the Diocese. Church Corporation holds title to these properties. Interest rates are 2.5% to 6% and repayment terms require periodic payments of principal and interest ranging from 1 to 7 years.

Notes receivable from others are from three external organizations for the purchase of property with interest rates ranging from 2.5% to 7.25%. Payment terms require periodic payments of principal and interest ranging from 1 to 8 years. The notes are secured by land and buildings.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

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

Assets measured at fair value at December 31, 2017 are as follows:

<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:			
Domestic equity securities:			
Large-cap	\$ 5,323,777		\$ 5,323,777
Small-cap	2,012,049		2,012,049
Preferred shares	1,434,026		1,434,026
Mid-cap	1,166,368		1,166,368
Other	1,653,032		1,653,032
International equity securities	10,144,045		10,144,045
Fixed-income mutual funds	3,246,782		3,246,782
Exchange-traded funds	3,005,292		3,005,292
Money market mutual funds	1,500,780		1,500,780
Corporate bonds and notes	\$ 1,286,130		1,286,130
Mortgage-backed securities	954,732		954,732
U. S. Treasury securities	819,594		819,594
Total	<u>\$ 29,486,151</u>	<u>\$ 3,060,456</u>	<u>\$ 32,546,607</u>
Other investments measured at net asset value using the practical expedient:			
Global long/short hedge fund (a)			5,690,525
Absolute return hedge fund (b)			<u>3,019,125</u>
Total assets measured at fair value			<u>\$ 41,256,257</u>

Assets measured at fair value at December 31, 2016 are as follows:

<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:			
Domestic equity securities:			
Large-cap	\$ 4,235,661		\$ 4,235,661
Small-cap	1,700,073		1,700,073
Preferred shares	1,162,999		1,162,999
Mid-cap	633,057		633,057
Other	1,225,852		1,225,852
International equity securities	6,831,792		6,831,792
Fixed-income mutual funds	2,114,642		2,114,642
Exchange-traded funds	2,588,446		2,588,446
Money market mutual funds	2,226,062		2,226,062
Corporate bonds and notes	\$ 854,783		854,783
Mortgage-backed securities	665,124		665,124
U. S. Treasury securities	618,479		618,479
Total	<u>\$ 22,718,584</u>	<u>\$ 2,138,386</u>	<u>\$ 24,856,970</u>
Other investments measured at net asset value using the practical expedient:			
Directional long/short hedge fund (c)			3,447,413
Absolute return hedge fund (b)			2,195,439
Other			<u>622,596</u>
Total investments			31,122,418
Beneficial interest in a trust		<u>4,157,898</u>	<u>4,157,898</u>
Total assets measured at fair value		<u>\$ 4,157,898</u>	<u>\$ 35,280,316</u>

- (a) Directional long/short fund is a multi-manager fund of funds that seeks to achieve its objective by deploying its assets primarily to subadvisors who invest principally in global equity markets by employing an investing style known as long/short. This style combines long investments with short sales in the pursuit of opportunities in rising or declining markets. By allocating capital to different long/short strategies (either within selected industry sectors or geographic regions), managed by multiple subadvisors, the fund seeks to provide investors access to diversified long/short investment vehicles while attempting to limit the risks associated with investing with a single portfolio manager. The fund is primarily allocated among 20 to 30 long/short specialist managers that incorporate a range of styles from fundamental bottom-up stock selection to quantitatively driven trend-followers. 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 fiscal quarter with 60-days prior written notice and at the end of each calendar month with 90-days prior written notice. There are no unfunded commitments at December 31, 2017.
- (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, 2017.
- (c) 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. As of December 31, 2017, Church Corporation has redeemed all of its investments in the fund.

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

- *Equity securities and exchange-traded 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 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 and yield curves, and broker quotes to calculate fair values.
- *Hedge funds* are valued at the net asset value utilized as a practical expedient as determined by the fund management and supported by the audited financial statements of the funds.
- *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.

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.

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.

Changes in Level 3 assets measured at fair value during the years ended December 31, 2017 and 2016 are as follows:

BENEFICIAL INTEREST IN A TRUST

Balance at January 1, 2016	\$ 3,230,120
Change in beneficial interest in a trust	<u>927,778</u>
Balance at December 31, 2016	4,157,898
Change in beneficial interest in a trust	101,182
Distributions	<u>(4,259,080)</u>
Balance at December 31, 2017	<u>\$ 0</u>

Investment return consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends and mineral royalties	\$ 821,243	\$ 648,442
Net realized and unrealized gain	<u>3,743,798</u>	<u>1,436,280</u>
Total investment return	4,565,041	2,084,722
Investment return allocated to funds held for related entities	<u>(1,909,080)</u>	<u>(873,996)</u>
Investment return, net	<u>\$ 2,655,961</u>	<u>\$ 1,210,726</u>

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2017</u>	<u>2016</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>(1,400,849)</u>	<u>(1,302,826)</u>
Net depreciable assets	2,529,891	2,627,914
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>3,555,696</u>	<u>2,907,396</u>
Property, net	<u>\$ 10,038,162</u>	<u>\$ 9,487,885</u>

NOTE 5 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2017</u>	<u>2016</u>
Non-interest bearing note payable to GCF	\$ 6,293,007	\$ 6,293,007
Bank line of credit of \$5,000,000 with interest rate of prime less .75% (3.75% at December 31, 2017) through January 2020	2,272,203	1,829,536
Note payable to Bishop Quin with interest rate of 2.5%	<u>436,230</u>	<u>436,230</u>
Total notes payable	<u>\$ 9,001,440</u>	<u>\$ 8,558,773</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, 2017, land and buildings valued at approximately \$2,666,800 are being marketed for sale. The bank line of credit is due to be repaid in 2020 unless Church Corporation renews the agreement. The note payable to Bishop Quin of \$436,230 is interest only until the remaining principal is paid, which is due in June 2018.

Interest expense for the years ended December 31, 2017 and 2016 was approximately \$305,000 and \$245,000, respectively. The 2017 and 2016 amount includes imputed interest at a rate of 3.5% and 2.8%, respectively, totaling \$226,000 and \$177,000 related to the non-interest bearing note to GCF, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

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

Church Corporation is the guarantor on a \$1,000,000 line of credit for the Diocese. At December 31, 2017, 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 \$3,300,000 of such loans with loan maturities through 2037.

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets are designated as follows:

	<u>2017</u>	<u>2016</u>
Diocesan Properties Fund	\$ 4,793,126	\$ 4,596,450
Participating Funds	4,401,386	4,176,747
Clergy Housing Trust	665,417	710,349
Episcopal Housing Trust	<u>594,200</u>	<u>549,261</u>
Total unrestricted net assets	<u>\$ 10,454,129</u>	<u>\$ 10,032,807</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Joan Golden Estate for support of abused children	\$ 5,611,684	\$ 5,108,812
Elise Casey Episcopal Trust for senior adult support	4,220,365	3,756,021
Ethel J. Ogden Restricted Episcopal Trust for youth education	1,476,493	1,197,294
Church growth and expansion (We Are One Campaign)	650,215	650,198
Episcopal Endowment Fund for bishop support	585,086	544,155
Valda McWhirter Estate – Scholarship for St. Alban's, Waco	472,365	431,401
Wallace O. Breedlove Family Fund for missions	438,950	390,655
Bishop Kinsolving Memorial Scholarship Fund	411,185	403,504
Ralph Spence Clergy Spouses Fund	351,639	329,374
Elma Robertson Estate for family support	335,661	309,764
Valda McWhirter Estate – Scholarship for St. Alban's, Waco	272,128	241,282
The Reverend William David Roberts Memorial Fund for Iona School	216,538	195,691
Wimberly Legacy Fund	190,706	169,723
Kathy Wheless Memorial Scholarship Fund	177,296	157,790
Francis Emmett Stevens Fund for needs of the impoverished	117,764	104,807
St. Luke's Chaplaincy Fund	110,288	98,154
Diocesan Scholarship Fund for nursing	85,962	76,505
Other	<u>449,863</u>	<u>282,073</u>
Total temporarily restricted net assets	<u>\$ 16,174,188</u>	<u>\$ 14,447,203</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested to support the following:

	<u>2017</u>	<u>2016</u>
Robert Maxey Episcopal Bequest benefits All Saints Chapel, Austin and St. David's Church, Austin	\$ 2,920,227	\$ 2,629,711
Bishop's Leadership Council Endowment benefits – EHF	901,993	901,993
SLEHC 15 th Anniversary Endowment benefits – EHF	153,376	153,376
Cynthia M. Hess Fund benefits – St. Cyprian's Church	<u>135,869</u>	<u>122,295</u>
Total permanently restricted net assets	<u>\$ 4,111,465</u>	<u>\$ 3,807,375</u>

NOTE 10 – ENDOWMENT FUNDS

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

Endowment net asset composition as of December 31, 2017:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Donor-restricted endowment funds		\$ 15,523,973	\$ 4,111,465	\$ 19,635,438
Board-designated endowment funds	<u>\$ 4,401,385</u>			<u>4,401,385</u>
Endowment net assets	<u>\$ 4,401,385</u>	<u>\$ 15,523,973</u>	<u>\$ 4,111,465</u>	<u>\$ 24,036,823</u>

Endowment net asset composition as of December 31, 2016:

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

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

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2015	<u>\$ 4,120,414</u>	<u>\$ 8,888,736</u>	<u>\$ 3,676,070</u>	<u>\$ 16,685,220</u>
Contributions and transfers	<u>36,768</u>	<u>304,084</u>		<u>340,852</u>
Investment return:				
Interest and dividends	87,584	284,121		371,705
Net realized and unrealized gain	<u>199,057</u>	<u>508,496</u>	<u>131,305</u>	<u>838,858</u>
Investment return	286,641	792,617	131,305	1,210,563
Investment management and other administrative costs	<u>(45,591)</u>	<u>(145,506)</u>		<u>(191,097)</u>
Net investment return	<u>241,050</u>	<u>647,111</u>	<u>131,305</u>	<u>1,019,466</u>
Distributions	<u>(221,485)</u>	<u>(200,822)</u>		<u>(422,307)</u>
Endowment net assets, December 31, 2016	<u>4,176,747</u>	<u>9,639,109</u>	<u>3,807,375</u>	<u>17,623,231</u>
Contributions and transfers	<u>242</u>	<u>4,408,602</u>		<u>4,408,844</u>
Investment return:				
Interest and dividends	99,067	383,308		482,375
Net realized and unrealized gain	<u>455,274</u>	<u>1,414,104</u>	<u>304,090</u>	<u>2,173,468</u>
Investment return	554,341	1,797,412	304,090	2,655,843
Investment management and other administrative costs	<u>(43,515)</u>	<u>(165,711)</u>		<u>(209,226)</u>
Net investment return	<u>510,826</u>	<u>1,631,701</u>	<u>304,090</u>	<u>2,446,617</u>
Distributions	<u>(286,430)</u>	<u>(155,439)</u>		<u>(441,869)</u>
Endowment net assets, December 31, 2017	<u>\$ 4,401,385</u>	<u>\$ 15,523,973</u>	<u>\$ 4,111,465</u>	<u>\$ 24,036,823</u>

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

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

Return Objectives and Investment Strategies

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

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

Spending Policy

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires Church Corporation to retain the fund as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at December 31, 2017 or 2016.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2018, 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, 2017

EPISCOPAL HOUSING <u>TRUST</u>	CLERGY HOUSING <u>TRUST</u>	DIOCESAN PROPERTIES <u>FUND</u>	PARTICIPATING FUNDS	<u>TOTAL</u>
REVENUE:				
Contributions		\$ 954,805	\$ 149,765	\$ 1,104,570
Change in value of beneficial interest in a trust			101,182	101,182
Investment return, net	\$ 28	90	2,655,843	2,655,961
Interest on notes receivable	\$ 6,547	80,057		102,985
Support from other Diocesan operating entities		226,462		226,462
Loss on valuation of property held for sale		(463,834)		(463,834)
Total revenue	6,547	16,409	2,906,790	3,727,326
EXPENSES:				
Program services:				
Grants to related entities		9,289	89,131	98,420
Grants to unrelated entities			73,550	73,550
Grants to other Diocesan operating entities			123,082	123,082
Imputed interest on note payable to Great Commission Foundation		226,462		226,462
Property costs for related entities	73,676	171,382		245,058
Property costs from Diocesan operating entities		10,905		10,905
Total program services	73,676	418,038	285,763	777,477
Management and general supporting services:				
Diocesan operating entities – administrative services	18,498	55,491	84,813	306,780
Investment management and custodial fees			98,464	98,464
Other	10,767	5,850	40,722	92,208
Total expenses	102,941	61,341	509,762	1,274,929
Interfund transfers	141,333	(4,157,898)	4,016,565	
CHANGES IN NET ASSETS	44,939	(44,932)	6,413,593	2,452,397
Net assets, beginning of year	549,261	710,349	17,623,231	28,287,385
Net assets, end of year	\$ 594,200	\$ 665,417	\$ 24,036,824	\$ 30,739,782

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

Supplemental Statement of Activities by Fund for the year ended December 31, 2016

EPISCOPAL HOUSING <u>TRUST</u>	CLERGY HOUSING <u>TRUST</u>	DIOCESAN PROPERTIES <u>FUND</u>	PARTICIPATING <u>FUNDS</u>	<u>TOTAL</u>
REVENUE:				
Contributions		\$ 650,198	\$ 340,852	\$ 991,050
Change in value of beneficial interest in a trust		927,778		927,778
Investment return, net	\$ 34	\$ 44	85	1,210,726
Interest on notes receivable	14,077	19,636	83,243	116,956
Support from other Diocesan operating entities		176,967		176,967
Gain on valuation of property held for sale		79,800		79,800
Other		16,183		16,183
Total revenue	14,111	19,680	1,934,254	1,551,415
EXPENSES:				
Program services:				
Grants to related entities		67,510	175,655	243,165
Grants to unrelated entities			63,243	63,243
Grants to other Diocesan operating entities			169,936	169,936
Imputed interest on note payable to Great Commission Foundation		176,967		176,967
Property costs for related entities	48,850	147,164		196,014
Property costs from Diocesan operating entities		11,716		11,716
Total program services	48,850	403,357	408,834	861,041
Management and general supporting services:				
Diocesan operating entities – administrative services	19,310	57,931	154,484	99,698
Investment management and custodial fees			80,766	80,766
Other	13,784	6,153	48,786	24,106
Total expenses	81,944	64,084	606,627	613,404
CHANGES IN NET ASSETS	(67,833)	(44,404)	1,327,627	938,011
Net assets, beginning of year	617,094	754,753	8,076,917	16,685,220
Net assets, end of year	\$ 549,261	\$ 710,349	\$ 9,404,544	\$ 17,623,231

EPISCOPAL FOUNDATION OF TEXAS

The value of the Episcopal Foundation of Texas increased slightly through the first three quarters of 2017 as a result of appreciation of the investment portfolio. At the end of the 3rd quarter in 2018 the assets of the Foundation totaled just over \$75.0 million which represents an increase in market value of just over \$3.3 million since the beginning of 2018. An increase in the value of the Foundation may provide a small increase in the funds available for grants in 2018, depending on the performance of the investment portfolio in the fourth quarter of 2018. The Episcopal Foundation of Texas provided grants funds to the Bishop Quin Foundation in 2018 to assist congregations that had been impacted by Hurricane Harvey. Below is a list of the funds allocated to the various institutions the Episcopal Foundation of Texas supports during the calendar year 2018.

Grants in 2018:

St. Vincent's House	\$ 150,000
El Buen Samaritano	300,000
Seminary of the Southwest	369,377
Camp Allen	610,000
The University of the South	250,000
The Bishop Quin Foundation	630,000
The Bishop Quin Foundation Strategic Mission	50,000
Tithe Grants	<u>220,000</u>
Total:	\$2,579,377

The accounting firm of Blazek & Vetterling LLP has completed auditing The Episcopal Foundation of Texas for the year 2017. There were no significant changes recommended in our accounting procedures. Copies of the Audit report are available in the Diocesan office and can be reviewed upon request.

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

Bruce Harper, President

Episcopal Foundation of Texas
(An Instrumentality of the Protestant Episcopal Church in the Diocese of Texas)
Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

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

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Independent Auditors' Report

To the Board of Trustees of
Episcopal Foundation of Texas:

We have audited the accompanying financial statements of Episcopal Foundation of Texas (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2017 and 2016 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.

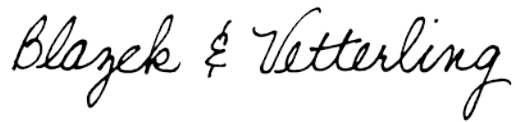
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016 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 14 through 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Blazek & Vetterling".

June 20, 2018

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

Statements of Financial Position as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash equivalents (<i>Note 2</i>)	\$ 2,875,831	\$ 1,778,746
Investment income receivable	246,271	171,352
Investments (<i>Note 2</i>)	68,641,513	61,964,141
Property, net (<i>Note 3</i>)	<u>740,720</u>	<u>817,080</u>
 TOTAL ASSETS	 <u>\$ 72,504,335</u>	 <u>\$ 64,731,319</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to other Diocesan operating entities	\$ 48,926	\$ 33,657
Grants payable (<i>Note 4</i>):		
Unrelated entities, net	250,000	535,000
Related entities, net	1,798,461	1,326,275
Diocesan operating entities	<u>61,690</u>	<u>89,024</u>
Total liabilities	<u>2,159,077</u>	<u>1,983,956</u>
Commitments (<i>Notes 4 and 5</i>)		
Unrestricted net assets:		
Coffield income fund	1,639,712	1,104,968
Coffield principal fund	68,388,702	61,361,897
Memorial fund	<u>316,844</u>	<u>280,498</u>
Total unrestricted net assets	<u>70,345,258</u>	<u>62,747,363</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 72,504,335</u>	 <u>\$ 64,731,319</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE:		
Investment return (<i>Note 2</i>)	\$ 10,780,808	\$ 6,338,666
Rent income from Diocesan operating entities (<i>Note 3</i>)	59,616	59,616
Other income	<u>52,637</u>	<u> </u>
Total revenue	<u>10,893,061</u>	<u>6,398,282</u>
EXPENSES:		
Grants to related entities	1,750,522	894,595
Grants to other Diocesan operating entities	243,735	462,555
Grants to unrelated entities	<u>263,000</u>	<u>136,600</u>
Total program grants	<u>2,257,257</u>	<u>1,493,750</u>
Supporting services:		
Investment management costs	341,092	305,719
Mineral interest and production expenses	256,980	237,485
Diocesan operating entities – administrative services	322,232	323,362
Depreciation	76,360	76,360
Other administrative	<u>41,245</u>	<u>40,805</u>
Total supporting services	<u>1,037,909</u>	<u>983,731</u>
Total expenses	<u>3,295,166</u>	<u>2,477,481</u>
CHANGES IN UNRESTRICTED NET ASSETS	7,597,895	3,920,801
Unrestricted net assets, beginning of year	<u>62,747,363</u>	<u>58,826,562</u>
Unrestricted net assets, end of year	<u>\$ 70,345,258</u>	<u>\$ 62,747,363</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 7,597,895	\$ 3,920,801
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(6,676,225)	(2,713,960)
Depreciation	76,360	76,360
Changes in operating assets and liabilities:		
Investment income receivable	(74,919)	(123,074)
Due to other Diocesan operating entities	15,269	(221,192)
Grants payable	<u>159,852</u>	<u>(503,020)</u>
Net cash provided by operating activities	<u>1,098,232</u>	<u>435,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	10,685,332	4,773,115
Proceeds from mineral investments		118,316
Purchases of investments	(10,480,211)	(6,502,218)
Net (purchase) sales of money market mutual funds held as investments	<u>(206,268)</u>	<u>1,403,985</u>
Net cash used by investing activities	<u>(1,147)</u>	<u>(206,802)</u>
NET CHANGE IN CASH EQUIVALENTS	1,097,085	229,113
Cash equivalents, beginning of year	<u>1,778,746</u>	<u>1,549,633</u>
Cash equivalents, end of year	<u>\$ 2,875,831</u>	<u>\$ 1,778,746</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, 2017 and 2016

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:

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

The 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.

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

Property with a cost of \$500 or more and an estimated useful life of more than one year is capitalized and reported at cost, if purchased, and at fair value at the date of gift if donated. 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 2017 and 2016. In addition, the Board has elected to transfer one-half of the annual net oil and gas royalties from the principal fund to the income fund.
- *Memorial fund* is comprised of assets other than those received from the Estate of H. H. Coffield and income from this fund is to be used to support seminarians, clergy and other charitable entities within the Diocese.

Grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Commitments made but not yet funded are reported as grants payable. Grants payable

in more than one year are reported at the present value of their future cash outflows using a risk-free, rate-of-return.

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

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The Foundation is required to adopt this ASU for fiscal year 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

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

Assets measured at fair value at December 31, 2017 are as follows:

	LEVEL	LEVEL2	LEVEL3	LEVEL4
Cash equivalents:				
Money market mutual funds	<u>\$2,875,831</u>			<u>\$2,875,831</u>
Investments:				
Domestic large-cap exchange-traded funds	20,757,501			20,757,501
Intermediate-term bond mutual fund	10,258,475			10,258,475
International equity securities:				
Developed markets	8,287,026			8,287,026
Emerging markets	236,235			236,235
Domestic equity securities:				
Small-cap	4,097,030			4,097,030
Mid-cap	3,039,943			3,039,943
Large-cap	1,261,255			1,261,255
International equity exchange-traded funds	7,869,869			7,869,869
World allocation mutual funds	5,477,973			5,477,973
Money market mutual funds	1,214,189			1,214,189
Real estate investment trust funds	231,011			231,011
Exchange-traded bond funds	68,209			68,209
Other	<u>9,677</u>			<u>9,677</u>
Total investments	<u>\$ 62,808,393</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>62,808,393</u>
Other investments measured at net asset value using the practical expedient:				
TIFF Absolute Return Pool (a)				4,135,614
Other partnerships (b)				<u>1,697,506</u>
Total assets measured at fair value				<u>\$ 71,517,344</u>

Assets measured at fair value at December 31, 2016 are as follows:

	LEVEL	LEVEL2	LEVEL3	LEVEL4
Cash equivalents:				
Money market mutual funds	<u>\$1,778,746</u>			<u>\$1,778,746</u>
Investments:				
Domestic large-cap exchange-traded funds	15,454,247			15,454,247
Intermediate-term bond mutual fund	9,921,704			9,921,704
International equity securities:				
Developed markets	5,985,320			5,985,320
Emerging markets	172,759			172,759
Domestic equity securities:				
Small-cap	3,870,585			3,870,585
Mid-cap	2,750,629			2,750,629
Large-cap	5,499,545			5,499,545
International equity exchange-traded funds	5,441,457			5,441,457
World allocation mutual funds	4,765,768			4,765,768
Lignite mining interests			\$1,412,697	1,412,697
Money market mutual funds	1,007,921			1,007,921
Real estate investment trust funds	612,788			612,788
Exchange-traded bond funds	303,160			303,160
Other	<u>74,082</u>			<u>74,082</u>
Total investments	<u>\$ 55,859,965</u>	<u>\$ 0</u>	<u>\$ 1,412,697</u>	<u>57,272,662</u>
Other investments measured at net asset value using the practical expedient:				
TIFF Absolute Return Pool (a)				3,978,189
Other partnerships (b)				<u>713,290</u>
Total assets measured at fair value				<u>\$ 63,742,887</u>

- (a) TIFF Absolute Return Pool is a fund that seeks to generate an annualized return equal to or greater than the 91-day U. S. Treasury bills plus 5%, net of all costs. This focus differs from one targeting relative returns (e.g., trying to beat the S&P 500). The strategies the pool may employ, either directly or indirectly, include but are not limited to capital structure arbitrage, event driven, fixed-income, long/short equity, and directly investing in a range of derivatives, as well as selling and purchasing securities for hedging or investment purposes. The pool will employ a minimum of ten managers, with not more than 20% of the pool's assets allocated to a single manager. Redemptions are permitted at the end of the calendar quarter associated with the date of investment, subject to 100- days written notice, but may be limited by fund management based upon the liquidity of the underlying assets. The Foundation has no outstanding commitment at December 31, 2017.
- (b) Other partnerships include five partnerships: one which invests primarily in private equity funds investing in developing economies and emerging markets, and the other four invest in private equity strategies that may include venture capital, buyouts, natural resources, credit and distressed investments. Distributions are made solely at the discretion of the general partners. The Foundation has no ability for redemption until certain conditions exist for the partnership dissolution. At December 31, 2017, the Foundation has unfunded commitments for these partnerships totaling \$3,400,000.

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

- *Exchange-traded funds, equity securities, and real estate investment trust funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the net asset value of shares held at year end.
- *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. In 2017, the contract for lignite mining was canceled and the mines were filled and permanently closed.
- *TIFF Absolute Return Pool and other partnerships* are valued at net asset value as a practical expedient provided by the fund management and supported by the audited financial statements.

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, 2017 and 2016 are as follows:

	LIGNITE MINING INTERESTS
Balance at December 31, 2015	\$ 1,530,972
Depletion related to current year production distributions	<u>(118,275)</u>
Balance at December 31, 2016	1,412,697
Realized loss on valuation	<u>(1,412,697)</u>
Balance at December 31, 2017	<u>\$ 0</u>

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

	<u>2017</u>	<u>2016</u>
Net realized and unrealized gain	\$ 6,676,225	\$ 2,713,960
Interest and dividends	1,525,328	1,472,012
Royalty income	<u>2,579,255</u>	<u>2,152,694</u>
Total investment return	<u>\$10,780,808</u>	<u>\$ 6,338,666</u>

NOTE 3 – PROPERTY

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

	<u>2017</u>	<u>2016</u>
Episcopal Diocesan Center in Austin	\$ 1,323,050	\$ 1,323,050
Accumulated depreciation	<u>(646,836)</u>	<u>(570,476)</u>
Leasehold improvements, net	676,214	752,574
Land held for future missions	<u>64,506</u>	<u>64,506</u>
Property, net	<u>\$ 740,720</u>	<u>\$ 817,080</u>

In 2008, the Foundation entered into a 20-year lease agreement with the Episcopal Theological Seminary of the Southwest. In lieu of rental payments, approximately \$1,300,000 in renovations were made by the Foundation. Subsequent to renovation, the building was subleased by the Foundation to the Diocese for use as the Diocesan Center in Austin for annual rent of approximately \$60,000 through 2029. Rent income recognized in 2017 and 2016 from the Diocese was approximately \$60,000.

Rent income from the Diocese at December 31, 2017 is expected to be collected as follows:

2018	\$ 59,616
2019	59,616
2020	59,616
2021	59,616
2022	59,616
Thereafter	<u>387,504</u>
Total	<u>\$ 685,584</u>

NOTE 4 – GRANTS PAYABLE

Grants payable at December 31, 2017 are expected to be paid as follows:

2018	\$ 930,896
2019	620,000
2020	120,000
2021	120,000
2022	120,000
Thereafter	<u>274,509</u>
Total grants payable	2,185,405
Discount to net present value at approximately 2%	<u>(75,254)</u>
Grants payable, net	<u>\$ 2,110,151</u>

The Foundation has made approximately \$1,064,000 in grants to Diocesan operating entities that are conditional upon the occurrence of certain events and have not been recognized as grants payable at December 31, 2017. Included in these amounts is approximately \$960,000 in a grant to Bishop Quin to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects.

NOTE 5 – COMMITMENTS

During 2014, the Board of Trustees approved a loan to Bishop Quin for \$3,000,000 to be repaid at an interest rate of 2.5%. At December 31, 2017, the related agreement has not been executed and funds have not been transferred, but remain an ongoing commitment of the Foundation.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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

Supplemental Statement of Financial Position by Fund as of December 31, 2017

	COFFIELD INCOME FUND	COFFIELD PRINCIPAL FUND	MEMORIAL FUND	TOTAL
ASSETS				
Cash equivalents	\$ 2,875,831			\$ 2,875,831
Investment income receivable		\$ 246,271		246,271
Investments		68,324,669	\$ 316,844	68,641,513
Property, net		740,720		740,720
Interfund receivable (payable)	<u>922,958</u>	<u>(922,958)</u>		
TOTAL ASSETS	<u>\$ 3,798,789</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>\$ 72,504,335</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Due to other Diocesan operating entities	\$ 48,926			\$ 48,926
Grants payable:				
Unrelated entities, net	250,000			250,000
Related entities, net	1,798,461			1,798,461
Diocesan operating entities	<u>61,690</u>			<u>61,690</u>
Total liabilities	<u>2,159,077</u>			<u>2,159,077</u>
Unrestricted net assets	<u>1,639,712</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>70,345,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,798,789</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>\$ 72,504,335</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, 2016

	COFFIELD INCOME FUND	COFFIELD PRINCIPAL FUND	MEMORIAL FUND	TOTAL
ASSETS				
Cash equivalents	\$ 1,778,746			\$ 1,778,746
Investment income receivable		\$ 171,352		171,352
Investments		61,683,643	\$ 280,498	61,964,141
Property, net		817,080		817,080
Interfund receivable (payable)	<u>1,310,178</u>	<u>(1,310,178)</u>		
TOTAL ASSETS	<u>\$ 3,088,924</u>	<u>\$ 61,361,897</u>	<u>\$ 280,498</u>	<u>\$ 64,731,319</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Due to other Diocesan operating entities	\$ 33,657			\$ 33,657
Grants payable:				
Unrelated entities, net	535,000			535,000
Related entities, net	1,326,275			1,326,275
Diocesan operating entities	<u>89,024</u>			<u>89,024</u>
Total liabilities	<u>1,983,956</u>			<u>1,983,956</u>
Unrestricted net assets	<u>1,104,968</u>	<u>\$ 61,361,897</u>	<u>\$ 280,498</u>	<u>62,747,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,088,924</u>	<u>\$ 61,361,897</u>	<u>\$ 280,498</u>	<u>\$ 64,731,319</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, 2017

	COFFIELD INCOME FUND	COFFIELD PRINCIPAL FUND	MEMORIAL FUND	TOTAL
REVENUE:				
Investment return	\$ 1,289,628	\$ 9,442,792	\$ 48,388	\$ 10,780,808
Rent income	59,616			59,616
Other income	<u>52,637</u>			<u>52,637</u>
Total revenue	<u>1,401,881</u>	<u>9,442,792</u>	<u>48,388</u>	<u>10,893,061</u>
EXPENSES:				
Grants to related entities	1,750,522			1,750,522
Grants to other Diocesan operating entities	231,693		12,042	243,735
Grants to unrelated entities	<u>263,000</u>			<u>263,000</u>
Total program grants	<u>2,245,215</u>		<u>12,042</u>	<u>2,257,257</u>
Supporting services:				
Investment management costs	341,092			341,092
Mineral interest and production expenses	256,980			256,980
Diocesan operating entities – administrative services	322,232			322,232
Depreciation		76,360		76,360
Other administrative	<u>41,245</u>			<u>41,245</u>
Total supporting services	<u>961,549</u>	<u>76,360</u>		<u>1,037,909</u>
Total expenses	<u>3,206,764</u>	<u>76,360</u>	<u>12,042</u>	<u>3,295,166</u>
Interfund transfers	<u>2,339,627</u>	<u>(2,339,627)</u>		
CHANGES IN UNRESTRICTED NET ASSETS	534,744	7,026,805	36,346	7,597,895
Unrestricted net assets, beginning of year	<u>1,104,968</u>	<u>61,361,897</u>	<u>280,498</u>	<u>62,747,363</u>
Unrestricted net assets, end of year	<u>\$ 1,639,712</u>	<u>\$ 68,388,702</u>	<u>\$ 316,844</u>	<u>\$ 70,345,258</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, 2016

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

THE GREAT COMMISSION FOUNDATION

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

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

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

During 2018, GCF continued to financially support the existing missions of the Episcopal Diocese of Texas as well as support the expansion of our footprint and mission within the geographic boundaries of the Diocese. This included support for new church plants. The GCF also provided support to campus missions. In 2018, the GCF was able to provide funds to our congregations that had been impacted by Hurricane Harvey.

In 2018, the GCF worked in conjunction with the Bishop Quin Foundation and the Episcopal Foundation of Texas to fund jointly the Strategic Mission Grant program. The Strategic Mission Grants Committee (SMG) has a dedicated website www.smgedot.org for processing grant applications and managing active grants. This interactive website includes videos, stories, and motion graphics that convey information about the grant program using multiple media formats. The site has a complete translation in Spanish. The grant focus includes encouraging congregations to engage with their surrounding communities, focus on invitation, and the funding of missional communities.

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 2019.

Throughout the year, the trustees have been guided by Bishop Doyle and are grateful for his vision and support. The trustees have also worked closely with and relied heavily upon the diligence and excellent work of the entire Diocesan Staff. We look forward to continuing our journey and service in 2019.

Maria Boyce, President

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

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

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

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Independent Auditors' Report

To the Board of Trustees of
The Great Commission Foundation:

We have audited the accompanying financial statements of The Great Commission Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Great Commission Foundation as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

June 20, 2018

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

Statements of Financial Position as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 70,405	\$ 22,810
Receivables from other Diocesan operating entities	139,950	46,338
Other assets	463,877	184,787
Investments (<i>Note 2</i>)	103,989,336	88,052,819
Investment in land (<i>Note 2</i>)	3,360,000	4,830,218
Receivable from Episcopal Health Foundation, net (<i>Note 3</i>)	12,602,744	16,311,822
Note receivable from Church Corporation (<i>Note 4</i>)	<u>6,293,007</u>	<u>6,293,007</u>
TOTAL ASSETS	<u>\$ 126,919,319</u>	<u>\$ 115,741,801</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 48,536	\$ 39,084
Accounts payable to other Diocesan operating entities	72,569	50,427
Grants payable to parishes, missions and schools	<u>2,204,564</u>	<u>2,977,746</u>
Total liabilities	2,325,669	3,067,257
Commitments (<i>Note 6</i>)		
Unrestricted net assets	<u>124,593,650</u>	<u>112,674,544</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 126,919,319</u>	<u>\$ 115,741,801</u>

See accompanying notes to financial statements.

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

Statements of Activities for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE:		
Investment return (<i>Note 2</i>)	\$ 13,326,449	\$ 9,103,792
Support from Diocesan operating entities:		
The Episcopal Health Foundation	301,496	390,362
The Bishop Quin Foundation		39,375
Imputed interest on note receivable from Church Corporation (<i>Note 4</i>)	226,462	176,967
Contributions	<u>45,391</u>	<u>101,970</u>
Total revenue	<u>13,899,798</u>	<u>9,812,466</u>
EXPENSES:		
Program services:		
Mission outreach and service	1,462,928	1,489,579
Grants to parishes and church planting program	<u>150,183</u>	<u>3,802,539</u>
Total program services	1,613,111	5,292,118
Supporting services:		
Diocesan operating entities – administrative services	350,162	336,516
Other management and general	<u>17,419</u>	<u>17,646</u>
Total expenses	<u>1,980,692</u>	<u>5,646,280</u>
CHANGES IN UNRESTRICTED NET ASSETS	11,919,106	4,166,186
Unrestricted net assets, beginning of year	<u>112,674,544</u>	<u>108,508,358</u>
Unrestricted net assets, end of year	<u>\$ 124,593,650</u>	<u>\$ 112,674,544</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 11,919,106	\$ 4,166,186
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Amortization of discount on receivable from Episcopal Health Foundation	(301,496)	(390,362)
Net realized and unrealized gain on investments	(12,351,201)	(6,236,985)
Net unrealized (gain) loss on investment in land	1,470,218	(610,000)
Changes in operating assets and liabilities:		
Receivables from other Diocesan operating entities	(93,612)	(44,917)
Other assets	(279,090)	(155,307)
Receivable from Episcopal Health Foundation	4,010,574	4,029,241
Accounts payable and accrued expenses	9,452	(356,027)
Accounts payable to other Diocesan operating entities	22,142	30,123
Grants payable to parishes, missions and schools	<u>(773,182)</u>	<u>2,852,746</u>
Net cash provided by operating activities	<u>3,632,911</u>	<u>3,284,698</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(12,739,973)	(46,657,416)
Proceeds from sales of investments	10,460,148	44,597,946
Net change in money market mutual funds held as investments	(1,305,491)	(1,219,301)
Proceeds from note receivable from Church Corporation	<u>15,000</u>	<u>15,000</u>
Net cash used by investing activities	<u>(3,585,316)</u>	<u>(3,263,771)</u>
NET CHANGE IN CASH	47,595	20,927
Cash, beginning of year	<u>22,810</u>	<u>1,883</u>
Cash, end of year	<u><u>\$ 70,405</u></u>	<u><u>\$ 22,810</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements for the years ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Great Commission Foundation (the Foundation) is a Texas nonprofit corporation created in 2013 to support the missionary and church planting strategies of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The organization of the Foundation is set forth in Canon 15 of the Constitution and Canons of the Diocese. The Diocese is an ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee. Members of the Board of Trustees of the Foundation are elected by the Council of the Diocese upon nomination by the Bishop and include the Bishop as an ex-officio member and Chair of the Board of Trustees.

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

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

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

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

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

Investments are reported at fair value. Purchases and sales of investments are reported on a trade-date basis. Realized or unrealized gains or losses on investments are determined by comparison of average costs of acquisitions

to proceeds at the time of disposal or stated fair value at the last day of the fiscal year. Interest and dividends are recognized as earned. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

Investment in land is reported at fair value.

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

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

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

Grants made are recognized as expense at fair value when the Foundation approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient or when the possibility that the conditions will not be met is deemed remote. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return, if material. Commitments made but not yet funded are reported as grants payable. Grants payable at December 31, 2017 are expected to be paid in the next year.

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

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. The Foundation is required to adopt this ASU for its fiscal year 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

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

Assets measured at fair value at December 31, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Domestic multi-cap core index mutual fund	\$ 33,392,098			\$ 33,392,098
International equity mutual funds:				
Emerging markets	11,596,620			11,596,620
Large value	8,045,987			8,045,987
Large core	8,015,247			8,015,247
Small core	3,520,946			3,520,946
Domestic bond mutual funds:				
Core bond	10,051,659			10,051,659
High yield	2,815,432			2,815,432
Inflation-protected	1,830,972			1,830,972
Domestic equity securities:				
Master limited partnership closed-end fund	6,611,434			6,611,434
Large cap	614,424			614,424
Mid cap	289,623			289,623
Money market mutual fund	7,975,780			7,975,780
Global real estate mutual funds	3,766,007			3,766,007
Commodity mutual funds	2,796,823			2,796,823
International bond mutual funds	<u>2,666,284</u>			<u>2,666,284</u>
Total investments	103,989,336			103,989,336
Land		\$ 3,360,000		3,360,000
Total assets measured at fair value	<u>\$ 103,989,336</u>	<u>\$ 3,360,000</u>	<u>\$ 0</u>	<u>\$ 107,349,336</u>

Assets measured at fair value at December 31, 2016 are as follows:

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

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

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Land* is valued based on appraised fair value.

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 includes earnings on bank deposits and consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 2,658,342	\$ 2,417,028
Net realized and unrealized gain on investments	12,351,201	6,236,985
Unrealized gain (loss) on land	(1,470,218)	610,000
Investment management fees	<u>(212,876)</u>	<u>(160,221)</u>
Total investment return	<u>\$ 13,326,449</u>	<u>\$ 9,103,792</u>

NOTE 3 – RECEIVABLE FROM EPISCOPAL HEALTH FOUNDATION

EHF has committed to contribute to the Foundation as follows:

	<u>2017</u>	<u>2016</u>
Receivable from EHF	\$ 12,930,376	\$ 16,940,950
Discount to net present value at 2.45%	<u>(327,632)</u>	<u>(629,128)</u>
Receivable from Episcopal Health Foundation, net	<u>\$ 12,602,744</u>	<u>\$ 16,311,822</u>

Amounts at December 31, 2017 are due to be received as follows:

2018	\$ 4,017,548
2019–2020	<u>8,912,828</u>
Total receivable	<u>\$ 12,930,376</u>

NOTE 4 – NOTE RECEIVABLE FROM CHURCH CORPORATION

The Foundation has entered into a note agreement with Church Corporation totaling \$6,500,000 to pay debt incurred in connection with the acquisition of real property to support the missionary and church planting strategies of the Diocese. The note is non-interest bearing and will be repaid with the proceeds from sales of land and buildings that are no longer being used as church sites and for which the Foundation did not provide the funding for the purchase of the property. After the note is repaid, Church Corporation is further obligated to pay 50% of the proceeds of sales of churches not funded by the Foundation to the Foundation. All proceeds from sales of property paid for by the Foundation will be paid to the Foundation. Imputed interest income and program expense of approximately \$226,000 in 2017 and \$177,000 in 2016 has been recognized based on an implied interest rate of 2.8%.

NOTE 5 – RETIREMENT PLANS

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

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

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

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

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

The Foundation recognizes its assessments in the period that the related services are provided by the clergy. During 2017 and 2016, the Foundation recognized assessments to the Plan totaling approximately \$145,000 and \$160,000, respectively.

The funding positions of the Plan as of March 31, 2017 and 2016 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>2017</u>	<u>2016</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 9,287,173,000	\$ 8,300,861,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,502,134,000)</u>	<u>(6,715,978,000)</u>
Surplus	<u>\$ 2,785,039,000</u>	<u>\$ 1,584,883,000</u>
Funding percentage	143%	124%

NOTE 6 – COMMITMENTS

During October 2016, the Foundation entered into a \$4.0 million contract to acquire 23 acres of unimproved land located in Travis County, Texas for the benefit of a parish. At December 31, 2017, other assets include a \$200,000 escrow deposit for the purchase which expects to finalize in summer of 2018.

During December 2017, the Foundation approved a conditional grant of up to \$1.5 million in support to EDOT to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects and has not been recognized as grants payable at December 31, 2017.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

EPISCOPAL HEALTH FOUNDATION

2018 marked our fifth year of operations and the implementation of a new strategic plan designed to improve community health in the 57 counties of the diocese. The new plan is built upon three pillars—strengthening the health system so that it delivers health, not just healthcare; activating communities and congregations to improve health; and supporting early childhood brain development. Within each of these pillars, we have identified specific outcomes that we aim to achieve, and within the outcomes we have laid out specific strategies or pathways through which we will work to achieve those outcomes. As we approach the end of the first year of the plan, we are grateful to see our stakeholders embrace our goals and work alongside us to improve their communities.

Grant-making: Between January and November of 2018, EHF awarded grants to 54 organizations for a total of \$17.7 million, including over \$1 million in support of Hurricane Harvey recovery by diocesan institutions. We expect to award approximately \$13.4 million in additional grants during the remainder of 2018. This brings our total grantmaking from 2015-18 to \$89.2 million, likely to be \$102.6 million by the close of 2018. We continue to expand the geographic scope of our work as we develop grant opportunities throughout the diocese. In 2018, we added five new grantees in Gregg, Harris, Smith and Travis counties. Most of the grants continue to be made to community-based nonprofit organizations providing care to low income, uninsured and vulnerable populations, including preventive, primary, behavioral health, and dental care. By the end of 2018, we expect to have awarded several grants to diocesan-related organizations including \$5 million to the diocese to offset the parishes' clergy health insurance costs; \$309,000 to support diocesan operating expenses; \$856,104 to support El Buen Samaritano's health clinic; \$25,000 to build the organizational capacity of St. Vincent's House (EHF also provided 100% of the funding for the mental health services offered on site during 2018); \$583,676 to support health benefits enrollment services to special populations at organizations sponsored by Epiphany, Houston, San Pedro, Houston, and Christ Church Cathedral; and \$400,000 to support Episcopal Relief and Development's early childhood development work. We made a \$4 million payment to the Great Commission Foundation in fulfillment of our tithe commitment from the proceeds of the transfer of the hospital system. We continue to provide payments to the Seminary of the Southwest (\$382,331 in 2018) under our previous commitments of \$3.67 million to support placement of their counseling graduates in East Texas internships.

Congregational engagement: Our congregational engagement team supported 72 churches to launch or deepen work in support of community health. We provided programmatic support in the areas of mental health, poverty, racial reconciliation, and community organizing. EHF also supported congregational community engagement efforts by providing consultation and training by EHF staff, retaining external partner organizations to work with congregations, and underwriting the costs of trainings and conferences attended by congregational teams. We continue to benefit from the wisdom of our "kitchen cabinet," an advisory group of clergy, staff, and lay leaders representing diverse regions and perspectives across the diocese. We enrolled our third cohort of six congregations in the Holy Currencies program,

developed by Rev. Eric Law. The Holy Currencies curriculum enables congregations to undertake a faith-based approach to planning meaningful, sustainable outreach ministries. We continue to sponsor Mental Health First Aid training (15 trainings certifying 266 people as of November 1, 2018) and three community engagement training (7 churches, 94 people trained as of November 1, 2018). Through gatherings like In Common, a convening attended by more than 100 congregational leaders, EHF provided an orientation to opportunities available and gave participants a chance to connect with one another. As with our grantmaking work, we continue to learn how we can be most effective as partners to the congregations, and we adjust accordingly

Leveraging our Work in Rural Health: While EHF has abundant resources, to accomplish the kind of transformation we envision requires parallel investments by others. For this reason, we have provided \$500,000 to support the efforts of Texas Medicaid to improve health outcomes for their 4.3 million enrollees. Another example of leveraging our resources concerns our work in rural health. Between October 2016 and July 2017, we provided \$145,000 to researchers at Texas A&M to study rural communities in which hospitals had closed and propose ways in which communities facing closure could focus their efforts on “right-sizing” healthcare. At our invitation, the Lufkin-based TLL Temple Foundation and Robert Wood Johnson Foundation (RWJF) each contributed \$75,000 to this work. We promoted the work heavily and drew national attention because of the need for this type of analysis across the country. In early 2018, RWJF announced that they would invest an additional \$750,000 in the A&M team. And in September, the A&M team was awarded a \$4 million federal grant to become the National Center to Improve Rural Health Care. EHF leveraged its \$145,000 investment to bring in an additional \$4.9 million from other sources. Most importantly, rural communities in the diocese and elsewhere will have the benefit of this resource as rural healthcare delivery continues to undergo significant changes.

Research: Our research team continues to provide issue briefs, analyses, and mapping resources to congregations and community organizations to help them navigate and use complex health-related data. Beginning in late 2017, EHF partnered with the Kaiser Family Foundation to produce a series of publications based on surveys relating to Hurricane Harvey (December 2017 and August 2018) and Texans’ perspectives on and experiences with the health system (June, July, October 2018). Our Hurricane Harvey research examined the experiences of residents in the affected region within a few months of the event, and again a year later. These data are being used by public and private funders (including the Governor’s Office, Rebuild Texas Fund, Center for Disaster Philanthropy) and recovery-oriented organizations to make decisions about recovery needs. Our work was cited by national, state, and local television, radio, newspaper, and online media outlets.

As we come to the close of the first year of our new strategic plan, we have built a body of work that will form a solid base for us as we move forward. While we spend the bulk of our funding on grants to community organizations, we are mindful of the importance of the research and congregational and community work to truly transform community health. The power of 70,000 Episcopalians gives us presence, partners, and perspective in hundreds of communities. We are inspired

by the commitment and dedication of congregations and community-based organizations large and small, without whom we could not do our work. The combination of grant-making and community-based work distinguishes Episcopal Health Foundation and gives us an opportunity to pursue systems change in a way that is generally not available to churches or foundations on their own.

Elena M. Marks, President

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

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

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

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees of
The Episcopal Health Foundation:

We have audited the accompanying financial statements of The Episcopal Health Foundation (an instrumentality of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Health Foundation as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

September 25, 2018

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

Statements of Financial Position as of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 31,924,717	\$ 26,093,012
Receivable and other assets	182,249	254,680
Interest accrued on note receivable	3,132,245	3,917,733
Note receivable, net <i>(Note 3)</i>	117,559,513	151,052,874
Investments <i>(Notes 4 and 5)</i>	1,106,302,085	965,387,742
Property, net <i>(Note 6)</i>	<u>10,034,880</u>	<u>10,614,957</u>
TOTAL ASSETS	<u>\$1,269,135,689</u>	<u>\$1,157,320,998</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 498,619	\$ 853,317
Grants payable <i>(Note 7)</i>	<u>32,465,623</u>	<u>25,881,722</u>
Total liabilities	<u>32,964,242</u>	<u>26,735,039</u>
Unrestricted net assets:		
Undesignated	342,685,876	195,798,016
Contractually-restricted <i>(Note 8)</i>	<u>893,485,571</u>	<u>934,787,943</u>
Total unrestricted net assets	<u>1,236,171,447</u>	<u>1,130,585,959</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,269,135,689</u>	<u>\$1,157,320,998</u>

See accompanying notes to financial statements.

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

Statements of Activities for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE:		
Partnership income (Note 4)	\$ 142,316,946	\$ 74,922,845
Interest on note receivable (Note 3)	5,826,887	7,091,776
Other revenue	<u>275,358</u>	<u>286,184</u>
Total revenue	<u>148,419,191</u>	<u>82,300,805</u>
EXPENSES:		
Program services:		
Grants made (Note 7)	33,344,376	21,828,674
Impact program initiatives	2,847,497	2,288,349
Research	2,179,770	1,503,181
Program management	<u>1,779,522</u>	<u>1,463,746</u>
Total program services	<u>40,151,165</u>	<u>27,083,950</u>
Supporting services:		
Diocesan operating entities – administrative services	675,485	607,622
Other management and general	<u>2,007,053</u>	<u>1,802,382</u>
Total supporting services	<u>2,682,538</u>	<u>2,410,004</u>
Total expenses	<u>42,833,703</u>	<u>29,493,954</u>
CHANGES IN UNRESTRICTED NET ASSETS	105,585,488	52,806,851
Unrestricted net assets, beginning of year	<u>1,130,585,959</u>	<u>1,077,779,108</u>
Unrestricted net assets, end of year	<u>\$1,236,171,447</u>	<u>\$1,130,585,959</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 105,585,488	\$ 52,806,851
Adjustments to reconcile changes in unrestricted net assets to net cash used by operating activities:		
Depreciation	695,901	570,756
Partnership income	(142,316,946)	(74,922,845)
Changes in operating assets and liabilities:		
Receivable, other assets and interest accrued on note receivable	857,919	1,153,006
Accounts payable and accrued expenses	101	217,607
Grants payable	5,218,797	4,450,482
Grants payable to related Diocesan operating entities	5,074,182	
Grants payable to The Great Commission Foundation	(3,709,078)	(3,638,879)
Net cash used by operating activities	<u>(28,593,636)</u>	<u>(19,363,022)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on note receivable	33,493,361	32,205,155
Change in money market mutual funds held as investments	1,402,603	(1,208,287)
Purchases of property	<u>(470,623)</u>	<u>(561,537)</u>
Net cash provided by investing activities	<u>34,425,341</u>	<u>30,435,331</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,831,705	11,072,309
Cash and cash equivalents, beginning of year	<u>26,093,012</u>	<u>15,020,703</u>
Cash and cash equivalents, end of year	<u>\$ 31,924,717</u>	<u>\$ 26,093,012</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements for the years ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Episcopal Health Foundation (EHF), a Texas nonprofit corporation, was created on March 27, 2013, to promote human health (including, without limitation, complete physical, mental and social well-being and not just merely the absence of disease or infirmity), healthcare excellence, advances in medical science, and improvements in community health services to benefit the 57 counties that comprise the ecclesiastical territory that extends from the Louisiana border to portions of central, eastern, and southeastern Texas. EHF is organized under Canon 5 of the Constitution and Canons of the Protestant Episcopal Church in the Diocese of Texas (the Diocese). The Diocese is the sole member of EHF. The authority of the Diocese is vested in the Bishop, the Council of the Diocese, and a standing committee.

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

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

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

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

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

Note receivable is reported at estimated net realizable value. An allowance for the note receivable is provided when it is believed the note may not be collected in full and is adjusted annually to reflect changes in the expected future cash flows. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of the receivable balance. A note receivable is considered impaired when it is considered probable that 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, 2017, all known impairments of the note receivable have been reserved.

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

Property with a cost of \$500 or more and an estimated useful life of more than one year is capitalized and reported at cost, if purchased, or at estimated fair value at the date of gift, if donated. EHF provides for depreciation using the straight-line method based upon estimated useful lives of 3 to 40 years.

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

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

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

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. EHF is required to adopt this ASU for fiscal year 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	<u>2017</u>	<u>2016</u>
Money market mutual funds	\$ 15,611,349	\$ 26,090,938
U. S. Treasury securities	16,297,915	
Demand deposits	<u>15,453</u>	<u>2,074</u>
Total cash and cash equivalents	<u>\$ 31,924,717</u>	<u>\$ 26,093,012</u>

NOTE 3 – DEFINITIVE AGREEMENT TRANSACTIONS

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

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

NOTE 4 – INVESTMENTS AND INVESTMENT RETURN

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Investment in EH Investment Fund, L.P.	\$1,106,302,085	\$ 963,985,139
Money market mutual funds	<u> </u>	<u>1,402,603</u>
Total investments	<u>\$1,106,302,085</u>	<u>\$ 965,387,742</u>

EH Investment Fund, L.P. (the Fund) is a Delaware limited partnership that was created on June 1, 2014. HCP EHF Management LLC (General Partner), a U. S. Securities and Exchange Commissions registered advisor and wholly owned subsidiary of Hall Capital Partners LLC, is the General Partner to the Fund. There are two limited partners: EHF and Bishop Quin. As of December 31, 2017, EHF had a 99.89% interest in the Fund and Bishop Quin had a .11% interest. The Fund is a global multi-asset class fund that primarily seeks to increase its net asset value by an amount in excess of inflation (as defined by the Consumer Price Index) and the actual spending rate of EHF over full market cycles of seven to ten years. The Fund also seeks to maximize investment returns and to reduce portfolio volatility by investing in diversified asset classes and capital markets. The asset classes that the Fund will invest in include global equities (developed and emerging), hedge funds, hybrids, private equity, real assets, fixed-income, and cash and cash equivalents. At any given time, one third of the Fund's portfolio assets can be liquidated

within a 30-day time window. Redemptions are allowed at the end of each month with 10 days' prior written notice. There are no unfunded commitments at December 31, 2017.

The assets of the Fund are invested as follows:

	<u>2017</u>	<u>2016</u>
Portfolio funds: (a)		
Equity strategies	23.7%	21.2%
Absolute return	18.3%	23.2%
Equity hedge	9.0%	7.7%
Private equity	7.7%	5.8%
Other	1.4%	3.4%
Global stock, fixed-income and hard asset mutual funds	20.6%	18.4%
Marketable securities:		
Common stock	12.1%	13.3%
Depository receipts	1.6%	1.0%
Cash and cash equivalents	<u>5.6%</u>	<u>6.0%</u>
Total	<u>100%</u>	<u>100%</u>

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

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

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

Partnership Income

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

	<u>2017</u>	<u>2016</u>
Realized and unrealized gain	\$ 141,729,247	\$ 72,907,605
Interest and dividends	9,620,793	6,730,416
Investment management and incentive fees	(8,490,962)	(4,364,802)
Other expenses	<u>(542,132)</u>	<u>(350,374)</u>
Total partnership income	<u>\$ 142,316,946</u>	<u>\$ 74,922,845</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

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

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

Investments for which fair value is measured using net asset value or its equivalent as a practical expedient are not required to be categorized in the fair value hierarchy.

Assets measured at fair value at December 31, 2017 are as follows:

				NAV – PRACTICAL EXPEDIENT	TOTAL
Investments:					
EH Investment Fund, L.P.				\$ 1,106,302,085	\$ 1,106,302,085
Total investments				<u>1,106,302,085</u>	<u>1,106,302,085</u>
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>		
Cash and cash equivalents:					
Money market mutual funds	\$ 15,611,349				15,611,349
U. S. Treasury securities	<u>16,297,915</u>				<u>16,297,915</u>
Total assets measured at fair value	<u>\$ 31,909,264</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,106,302,085</u>	<u>\$ 1,138,211,349</u>

Assets measured at fair value at December 31, 2016 are as follows:

				NAV – PRACTICAL EXPEDIENT	TOTAL
Investments:					
EH Investment Fund, L.P.				\$ 963,985,139	\$ 963,985,139
	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>		
Money market mutual funds	\$ 1,402,603				1,402,603
Total investments	<u>1,402,603</u>			<u>963,985,139</u>	<u>965,387,742</u>
Cash and cash equivalents:					
Money market mutual funds	<u>26,090,938</u>				<u>26,090,938</u>
Total assets measured at fair value	<u>\$ 27,493,541</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 963,985,139</u>	<u>\$ 991,478,680</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 report fair value of the investment. The fair value of the fund is based on information provided by the general partner of the fund. Management takes into consideration consultation with fund investment managers and audited financial information to determine the overall reasonableness of the recorded fair value.
- *Mutual funds* are valued at the published net asset value of shares held at year end.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.

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.

NOTE 6 – PROPERTY

Property is comprised of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 750,000	\$ 750,000
Buildings and improvements	<u>11,116,641</u>	<u>11,001,208</u>
Total property, at cost	11,866,641	11,751,208
Accumulated depreciation	<u>(1,831,761)</u>	<u>(1,136,251)</u>
Property, net	<u>\$ 10,034,880</u>	<u>\$ 10,614,957</u>

NOTE 7 – GRANTS PAYABLE

At December 31, 2017, grants approved and committed for future payments are payable as follows:

	<u>OTHER DIOCESAN OPERATING ENTITIES</u>	<u>GCF</u>	<u>OTHER</u>	<u>TOTAL</u>
2018	\$ 5,074,182	\$ 4,017,548	\$ 11,289,268	\$ 20,380,998
2019		4,017,548	3,096,571	7,114,119
2020		<u>4,895,280</u>	<u>544,910</u>	<u>5,440,190</u>
Total grants payable	5,074,182	12,930,376	14,930,749	32,935,307
Discount to net present value at 1.98% to 2.45%	<u>0</u>	<u>(327,632)</u>	<u>(142,052)</u>	<u>(469,684)</u>
Grants payable, net	<u>\$ 5,074,182</u>	<u>\$ 12,602,744</u>	<u>\$ 14,788,697</u>	<u>\$ 32,465,623</u>

EHF provided a \$10 million and \$5 million grant in 2017 and 2016 to a related Diocesan operating entity to fund a portion of clergy health insurance costs for all Diocesan entities. EHF provided other grants to related Diocesan entities totaling approximately \$1,021,000 in 2017 and \$1,191,000 in 2016.

During December 2017, EHF approved a conditional grant of up to \$2.0 million in support to EDOT to assist with Hurricane Harvey response and recovery initiatives. This grant is conditioned upon EDOT identifying qualifying projects and has not been recognized as grants payable at December 31, 2017. At December 31, 2017, the unfunded commitment is approximately \$1.9 million.

NOTE 8 – CONTRACTUALLY-RESTRICTED NET ASSETS

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

Contractually-restricted net assets, January 31, 2016	\$ 961,231,532
Expenditure of funds for restricted purposes	<u>(26,443,589)</u>
Contractually-restricted net assets, December 31, 2016	934,787,943
Expenditure of funds for restricted purposes	<u>(41,302,372)</u>
Contractually-restricted net assets, December 31, 2017	<u>\$ 893,485,571</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2018, 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.

CANONICAL REPORTS

COMMISSION ON MINISTRY

According to the Constitutions and Canons of the Episcopal Church, the Commission shall advise and assist the Bishop:

- (a) In the implementation of Title III of these Canons.
- (b) In the determination of present and future opportunities and needs for the ministry of all baptized persons.
- (c) In the design and oversight of the ongoing process for recruitment, discernment, formation for ministry, and assessment of readiness.

To fulfill this responsibility, the Commission on Ministry sponsored the creation of the Discovery Retreat to provide time, place and space for communicants in the Diocese of Texas to discern their call and vocation in serving God's kingdom in lay and ordained ministries. In 2019, three Discovery Retreats are scheduled; March 15-17, May 31-June 2 and September 27-29. All retreats are held at Camp Allen. Since its inception in 2016, 176 people have participated in a Discovery Retreat, 122 people across the Diocese have been trained to participate in regional discernment committees and 51 discernment committees have been held.

The Committee for the Diaconate is a part of the Commission on Ministry. Aspirants for the diaconate and the priesthood are interviewed by the appropriate commission or committees after successfully completing the application process. This includes a meeting with the Executive for Ministry, who makes the final decision regarding postulancy. After Postulants are approved to attend seminary or the Iona School of Ministry, the Commission continues to track their progress until they graduate and are ordained. We are hopeful that the numbers of those who are willing to serve in lay and ordained ministries will continue to increase as we move out into the world. In 2019, the ordination process, including the Discovery retreat and regional discernment committees will again be reviewed and assessed for effectiveness as part of the Bishop's Vocation Taskforce.

Your prayers are greatly appreciated for the Commission, its members and all those answering God's call to serve.

Francene Young, Chair

EXAMINING CHAPLAINS

The Examining Chaplains met in January at Camp Allen to examine six persons (2 seminarians, 2 Iona students, and 2 non-Anglican seminary graduates) for ordination as Deacons. We continue to use the process we began in 2011 as a replacement for the National General Ordination Examinations. We continue to find it a more satisfactory assessment of the students' knowledge and writing skills as well as their practical application of those skills. We met for three days for a series of written and oral exams. Each student was to be prepared to conduct one of the Daily Offices, including preaching a sermon on an assigned text. This process allows us to know the students better and understand their seminary experience through both informal and group discussions. We met in October at the Clergy Conference for a short series of oral examinations of the new Deacons before recommending them for ordination as Priests. The current

Chaplains are A. Dean Calcote, Mark T. Crawford, Nancy P. De Forest, Patrick M. Hall, Eileen E. O'Brien, and Edward L. Stein.

A. Dean Calcote, Chair

DEACON'S REPORT

Our thirty – six deacons, many of whom hold “regular” jobs, are involved in a great diversity of diaconal work throughout the Diocese. Several have stopped doing active ministry due to health or other issues.

One deacon continues to be involved in the Austin Recovery ministry, a twelve-step recovery ministry. This deacon continues to listen to 5th steps. One deacon has started a weekly Al Anon meeting. Three deacons are involved in supervising Community of Hope groups. One deacon convenes a weekly meeting for unemployed at a local restaurant and has started a Job Fair for juniors and seniors in the area high school. The Archdeacon serves in a consulting organization through Episcopal Relief and Development that works with dioceses and congregations who have experienced disasters and need assistance with how to respond. One deacon is on the board of Christ Clinic, a clinic in Katy for adults without health insurance. Seven deacons do hospital chaplaincy at local hospitals. One deacon serves on the community health advisory council at a local hospital's CPE Program. Two deacons do hospice chaplaincy. One does chaplaincy at West Houston Assistance Ministries. One deacon works with a local organization called Love Inc. which serves the needy. Three deacons serve as Spiritual Directors.

A great deal of work continues to be done by many deacons in response to Hurricane Harvey. Several deacons are involved in Laundry Love, a ministry of offering free clothes washing to those in need. One deacon continues to be involved in leadership in a missional community at a residential facility for physically and mentally disabled adults. It involves Saturday hot meal delivery, and social events, pet vaccinations and wellness, purchase of needed electric beds and wheelchairs, help with rent and electric bills, etc. Four deacons are involved in ministry to the elderly and/or disabled at assisted living facilities. and nursing homes. Three deacons are now involved in Kairos Prison Ministry. Several deacons do other ministry in prisons including chaplain work, facilitation of an Overcomers Program or Bridges to Life, mentorship programs in juvenile detention, reVision for at risk and incarcerated youth, etc. Five deacons are involved in feeding ministries, (Hunger Initiative, Food for the Poor, Feed My Sheep, Nutrition Backpack Ministry, 249 & Hope, etc.). One deacon has organized and manages a Meals on Wheels program where 25-30 meals are being delivered each day. One deacon hosts Trailer Grace, a ministry that provides showers for homeless persons. One deacon serves as a member of the Kitchen Cabinet advisory group of EHF. Six deacons are involved in grief support in general, Walking the Mourner's Path, GriefShare and Footprints – children's grief. One deacon leads a ministry called the Gathering Place, a monthly program for those with memory loss. Another deacon participates in ministry through deployment of the Tiny Chapel. Several deacons are chaplains to law enforcement departments.

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

One deacon participated in an annual mission trip to Honduras. One deacon participates in interfaith work in the Bryan-College Station area. In addition this deacon is heavily involved in immigration issues and affordable housing issues in the area. Several deacons are team members of our diocesan Emergency Spiritual Care Team. Several deacons have assisted churches in aiding in the resettlement of refugees.

In addition to this work in our communities, several deacons serve in Diocesan-wide roles. Several deacons volunteered at the General Convention in Austin. The Reverend Pat Ritchie serves as Chair of the Committee for the Diaconate, the Reverend Mary Lenn Dixon is Dean for the Diaconate track at the Iona School for Ministry, the Reverend Tamara Clothier supervises field work for the deacons in formation and additionally, the Reverends Bob Horner and Wanda Cuniff serve on the Committee for the Diaconate. Several deacons serve as mentors for Iona students during formation. The Reverend Jan Halstead is the Diocesan Jubilee Officer, the Reverend Victoria Mason coordinates Discovery Retreats, trains Regional Discernment ministers and is Secretary to the EDOT Hispanic Ministries Commission, the Reverend Wanda Cuniff has served on the Division of Spiritual Formation and Ms. Alyssa Stebbing and the Reverend Sherry Williams have been the Diocesan Liaisons for Episcopal Migration Ministries, which has included advocacy in Washington for refugee ministry funding support. The Reverend Linda Shelton continues to assist with EMM. The Reverend Joseph Mills serves on the Restorative Justice Ministry Committee. The Venerable Russ Oechsel is the Diocesan Disaster Coordinator.

Russ Oechsel, Jr., Archdeacon

STANDING COMMITTEE

The Standing Committee of the Episcopal Diocese of Texas consists of three priests and three lay communicants within the diocese, elected by Council for a three-year term. It functions as a committee of advice to the bishop and is called at the bishop's

discretion, or it may meet of its own accord. The Standing Committee gives consent for persons to become candidates for Holy Orders, consent for ordinations and consent to elections of bishops in other dioceses. When there is no bishop or bishop coadjutor, the Standing Committee becomes the ecclesiastical authority of the diocese.

As Secretary of the Standing Committee for the Episcopal Diocese of Texas, I am honored to share that the Standing Committee has met many times throughout this year to discuss matters of the administration of the Diocese, to nominate worthy candidates for the positions of Deacons, Priests, as well as for the ordination process. We also prepared to approve the slate this year for the upcoming Bishop Suffragan Election.

Committee members:

To 2019:

Dave Bollinger (President)

The Rev. Christine Faulstich resigned; replaced by The Rev. Mitchell Tollett (Secretary)

To 2020:

The Rev. Hanna Adkins resigned; replaced by The Rev. James Pevehouse

Marcia Quintanilla

To 2021:
Ed Ziegler
The Rev. Genevieve Razim

During the year we met regularly as a committee:

- With Bishop Doyle to keep us up to date in Diocesan matters.
- To give consent to 11 candidates for Holy Orders.
- To give consent to 9 candidates for Ordination to the Diaconate.
- To give consent to 7 candidates for Ordination to the Priesthood.
- To give consent in the election of:
 - The Rev. Canon Kevin D. Nichols as Bishop Diocesan of the Diocese of Bethlehem.
 - The Rev. Mark Andrew Cowell as Bishop Diocesan of the Diocese of Western Kansas.
 - The Rev. Carlye J. Hughes as Bishop Diocesan of the Diocese of Newark.
 - The Rev. Cathleen Chittenden Bascom as Bishop Diocesan of the Diocese of Kansas.
- Where we requested and received consent from the Standing Committees of the Episcopal Church to hold an election for Bishop Suffragan.

Mitch Tollett, Secretary

DISCIPLINARY BOARD

There were no complaints received by the Disciplinary Board during the course of this reporting year. Members of the Disciplinary Board and the year in which their terms expire are as follows: Ms. Ann O'Connell (2018), The Rev. C. George McGavern, III (2018), Ms. Lisa Bowlen Hobbs (2019), The Rev. Beth Fain (2019), The Rev. Carissa Baldwin – McGinnis (2020), Mr. Mike Hughes (2020), and The Rev. Keith F. Giblin (2020).

The Rev. Keith F. Giblin, President

EDOT FINANCE

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

REPORT OF THE SUB-COMMITTEE ON REMUNERATION ("SCR") DECEMBER 2018

Membership

Following the 2016-2017 *ad-hoc* committee's review and actioning of the Mercer Report's recommendations, in 2018 the Remuneration Committee (RC) sought to formalize and regularize its membership. A subcommittee of the Finance Committee, the RC will customarily be a five-member group, plus the Finance Committee Chair serving *ex-officio* (in 2018, Sam Dodson). The Subcommittee's four members will each serve four-year terms, with every year bringing a new class of one. The Chair will serve his or her own four-year term, the last year of which will be served in companion with an "Incoming Chair." Therefore, the Chair could serve as many seven years. These term lengths intend to provide enough time for members to become proficient in their work, while keeping tenures manageable.

Seeking to balance lay and ordained members, as well as a balance of gender, generation, and geography within the Diocese, current members include: Rev. Morgan Allen (Chair), Mr. Bob Blakely, Mr. Charles Hall, Rev. Molly Sharpe, Rev. John Carr, and Rev. Samantha Smith.

RC terms will begin and end at Diocesan Council, and at least one of these members will rotate off the Committee entirely, while the remaining membership will self-select the following years to *conclude* their term: 2020, 2021, 2022, and 2023. New members will be appointed by the Bishop Diocesan.

Pre-Council 2018

Following the Executive Board's passage of the 2018 budget, the Remuneration Committee made recommendations and, in partnership with the office of the Bishop Diocesan, completed important work. The Finance Committee Chair partnered with diocesan staff to address cleric-specific, life-insurance issues for several of the bishops. The RC established "Pension-Assessable Compensation" as the standard metric for compensation comparisons, and, while working with the diocesan office to assess the impact of this decision, identified needed adjustments to pension calculations for current members of the diocesan staff. In collaboration with the Church Pension Group, the Finance Committee made these adjustments at 2017's year-end. Finally, at the recommendation of the RC, the diocesan office began developing "Covenant Agreements" – articulating terms of employment – for all members of the diocesan staff. These documents will facilitate future compensation review and adjustment processes.

Post-Council 2018

In the spring of 2018, the Remuneration Committee Chair, Finance Committee Chair, and Bishop Diocesan, discussed ways of increasing transparency of clergy compensations across the diocese, including within the diocesan office. Toward that end, this working group named that "the not-yet-ness of the Church means being subject to the secular compensation marketplace. We recognize *that the market's*

concern is not righteousness, but, in order to attract and call the most prepared leaders – and to credibly equip them for success – we must deal with the reality of it.” The group strategized the development and publishing of annual compensation reports, with the goal of creating tranches of comparisons that could be used both with the executive clergy staff of the diocese and with vestries as they work to build strength in compensation practices across rural, suburban, and urban contexts.

In early fall, the RC Chair collaborated with the diocese’s Human Resources office and the Church Pension Group to assess what clergy compensation data could be collected from existing reports, and the Human Resources office launched an effort to solicit more comprehensive and detailed data from parishes, missions, and diocesan institutions.

Thereafter, the RC Chair invited the Committee’s current membership to join in the work, and the newly constituted Committee met at the diocesan office in September. At that meeting, the RC reviewed the work that had already been completed, and then sketched types of compensations to be considered, as well as the various comparisons that would be most helpful to inform, the RC’s work going forward. Having received this direction, the diocese’s Human Resources office and the RC Chair prepared the first report for presentation at the diocesan Clergy Conference, on October 22.

Following the report’s presentation, Bishop Doyle expressed to the working group his preference that he not receive the \$50k Mercer-based increase in 2019, as the 2016 recommendations planned. Rather, he preferred any increase to be the same as the cost of living adjustment (COLA) afforded the balance of the staff. Further, the group recommended that the Diocese establish a policy to pay for utilities and regular maintenance at all of the Diocese-owned properties where Diocesan employees live. In assembling the compensation data, we learned that this is the more common standard for parishes that own rectories, and this practice will facilitate reporting to the Church Pension Group. Further, this will ensure a Diocesan standard of upkeep can be kept, rather than a standard dependent upon the lifestyle and sensibility of any individual cleric (and their family).

While the formalization of the policy will be completed in 2019, the funds related to the payment for utilities and regular maintenance for all executive clergy were included in the 2019 budget adopted by the Executive Board on December 12, 2018.

Between now and that policy’s formalization, it is recommended that the Church Corporation Board draft a resolution to articulate these benefits as standard. Noting Bishop Harrison’s transition, this seemed an especially good year to begin this shift. Finally, the group recommended that the balance of the \$50k Mercer-based increased be dedicated to Bishop Doyle’s “Professional Expenses” line, and that, at the end of 2019 and years succeeding, unspent funds from that line would be added to a “Bishop Diocesan’s Professional Expense Fund,” that would accrue over time. This would allow the Bishop to deploy those resources for an upcoming sabbatical or an experience that might not otherwise be afforded (a Holy Land contemplative retreat, as an example). When (a long time from now!) the current Bishop Diocesan leaves his office, the Diocese could then decide whether to liquidate the fund into the Operating Reserves, or whether to keep its temporary restrictions and allow the next Bishop Diocesan the benefit of any continuing balance. This practice intends to deliver a benefit for the Bishop, while also incentivizing judicious spending year-to-year. In 2019,

the Finance Committee should discuss whether, in time, this benefit should be afforded to another subset of the diocesan staff (bishops, or Executive Staff, etc.).

Finally, the RC consented to support the Finance Committee to do what work they need to do in order to complete their budget planning.

2019

In 2019, the Remuneration Committee should continue its work toward sustainability and appropriately receive more of the work and responsibilities that, in 2018, were triaged in the working group. This will include publishing a (brief) statement on the diocese's theology and philosophy of compensation; an update of the compensation comparison report, including further study and comparisons on compensations by gender and race; and regularizing the process for receiving compensation information from diocesan missions, parishes, and institutions.

Morgan Allen, Chair, Remuneration Committee

2019 PROPOSED BUDGET FORMULA

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

1. Part (A) – The Insurance Formula

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

METHOD:

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

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

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

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

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

2. Part (B) – Diocesan Budget

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

METHOD:

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

<u>2019 Base Percentage</u>			
<u>Total Operating Revenue PF</u>			
UP TO		\$216,000	6%
\$216,001	to	\$327,000	7%
\$327,001	to	\$545,000	8%
\$545,001	to	\$872,000	9%
OVER \$872,001			10%

The four break points have been adjusted annually by an amount equal to the change in Consumer Price Index (CPI), which was 2.1% for the 2019 calculation. Such adjustments to the break points shall be rounded to the nearest thousand dollars.

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

For 2019 the **MFB** (Maximum Formula B Request) was 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 2019, the Operating Revenue used was that of 2017.)

Linda Riley Mitchell, CFO

2019 DIOCESAN BUDGET

The **Episcopal** Diocese *of Texas*

2019 Budget



As Approved by the Executive Board on December 12, 2018 and
Recommended to the 170th Diocesan Council.

Confidential

THE EPISCOPAL DIOCESE OF TEXAS
2019 Proposed Budget

	2017 Budget	2018 Budget	2019 Budget	NOTES
REVENUES				
Assessments				
Diocesan	7,454,875	7,481,148	7,657,710	AT
Insurance	473,975	542,849	552,644	HE
Less: Allowance for Uncollectible Accounts	(158,577)	(160,480)	(164,207)	PR
Net Assessment Revenue	7,770,273	7,863,517	8,046,147	
Foundation Support and Overhead Allocation				
Church Corporation	421,448	478,773	635,969	WE
Bishop Quin Foundation	333,938	371,974	389,039	
The Episcopal Foundation of TX	367,341	402,761	423,856	
Episcopal Health Foundation	596,453	802,023	809,704	
Great Commission Fund	293,785	335,414	363,536	
Episcopal Seniors Foundation	35,000	35,000	35,000	
Total Foundation Overhead Payments	2,047,964	2,425,945	2,657,104	
Program Revenues				
IONA Program Revenue	30,000	78,000	90,000	IO
Wellness & Care Revenue	6,000	1,000	-	
Commission on Ministry Revenue	6,000	10,000	10,000	
Congregational Development Revenue	7,500	-	10,000	
Formation/Youth Event Revenue	111,500	117,500	117,500	
Unified Commission Revenues	14,750	14,750	16,000	
Recovery Ministries Income	-	6,000	-	
Episcopal Service Corps	81,728	133,636	90,000	SC
Other Program Revenue	10,000	1,000	27,000	
Total Program Revenues	267,478	361,886	360,500	
Other Revenues				
Diocesan Council	160,000	196,000	216,596	
ERD Relief Grant	-	125,000	-	ERD
Compass Rose Society Reimbursement	60,000	75,000	75,000	
Miscellaneous Income	7,285	1,000	1,000	
Brochures Sales	2,000	4,000	4,000	
Other Conference Fees	-	10,000	-	
Total Other Revenues	229,285	411,000	296,596	
TOTAL REVENUES	10,315,000	11,062,348	11,360,347	
EXPENDITURES				
OFFICE OF THE BISHOP				
Clergy Compensation				
Clergy Salaries				
Bishop of Texas	247,030	297,030	308,041	
Bishop Suffragan - Tyler	112,920	106,877	111,523	
Bishop Suffragan - Austin	124,585	131,088	101,269	BA
Assisting Bishop	55,000	104,877	109,523	
Visiting Bishops	5,000	2,000	12,000	
Canon to the Ordinary	91,500	116,500	121,795	
Chief of Staff	75,585	80,528	86,930	
Secretary of the Diocese	6,290	6,719	7,160	
Total Clergy Salaries	717,910	845,619	858,242	

Housing Allowance and Maintenance				
Bishop of Texas	70,000	70,000	70,000	
Bishop Suffragan - Tyler	36,000	48,000	48,000	
Bishop Suffragan - Austin	38,000	38,000	31,667	BA
Assisting Bishop	15,000	50,000	50,000	
Canon to the Ordinary	60,000	60,000	60,000	
Chief of Staff	48,000	48,000	48,000	
Secretary of the Diocese	8,000	8,000	8,000	
Rectory maintenance			86,643	RM
Total Housing Allowance and Maintenance	275,000	322,000	402,310	
Pension and Social Security Reimbursement				
Bishop of Texas	89,110	121,056	129,340	
Bishop Suffragan - Tyler	51,250	60,922	65,227	
Bishop Suffragan - Austin	54,120	65,414	54,355	BA
Assisting Bishop	27,450	60,922	65,227	
Canon to the Ordinary	52,605	56,851	58,607	
Chief of Staff	46,445	46,658	47,337	
Secretary of the Diocese	5,350	5,507	5,507	
Life Insurance	15,272	25,000	25,000	
Other Defined Contributions		10,000	10,000	
Total Pension and SS Reimbursement	341,602	452,330	460,600	
Total Clergy Compensation	1,334,512	1,619,949	1,721,152	
Lay Staff Compensation				
Salaries	407,800	608,042	625,596	
Pension	36,700	54,724	56,304	
Employer FICA	31,200	46,515	48,638	
Total Lay Staff Compensation	475,700	709,281	730,538	IN
Business and Travel Expense				
Bishop of Texas	85,000	90,000	120,705	RC
Bishop Suffragan - Tyler	56,000	60,000	58,000	
Bishop Suffragan - Austin	42,000	42,000	47,000	
Assisting Bishop	20,000	45,000	50,000	
Visiting Bishops	4,000	12,500	13,500	
Canon to the Ordinary	35,000	35,000	35,000	
Chief of Staff	20,000	17,500	17,500	
Secretary of the Diocese	1,000	1,500	1,500	
Retired Diocesan Bishops	5,000	5,000	5,000	
Archdeacon and Deacons	6,000	8,000	8,000	
Business and Travel - Staff	13,000	18,000	24,000	
Vehicle Depreciation	37,100	36,000	46,000	
Total Business and Travel Expense	324,100	370,500	426,205	
Clergy Conference	100,000	110,000	117,000	
TOTAL OFFICE OF THE BISHOP	2,234,312	2,809,730	2,994,895	
CANONICAL EXPENSES				
Diocesan Council	315,000	321,800	331,850	
Historian and Archives	4,000	10,000	10,000	
Bishop Suffragan Transition	-	40,000	125,000	EL
Commission on Ministry	65,000	65,000	73,300	
General Convention - Deputies	25,000	50,000	-	GC
Executive Board	8,000	11,000	11,000	
Standing Committee	600	1,200	1,200	
Office of the Secretary	1,000	1,000	1,000	
TOTAL CANONICAL EXPENSES	418,600	500,000	553,350	

MINISTRY EXPENSES				
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Ministry Staff Compensation				
Salaries, Stipends and Housing	851,100	802,239	684,959	
Pensions	108,900	99,741	89,856	
Social Security	88,900	81,642	72,548	
Total Ministry Staff Compensation	1,048,900	983,622	847,363	IN, RO
Total Campus Missions				
Waco, Baylor University	60,000			
Houston, Rice University	104,999			
College Station, A&M University	179,999			
Austin, University of Texas	177,505			
University of Houston	93,788			
Other Campus Missions	128,009			
Total Campus Missions	744,300			CM
Communications				
Dialog	72,000	24,000	24,000	
Communications Department	16,000	6,000	6,000	
New Initiatives Marketing and communications	40,000	15,000	35,000	RO
Licensing, Training, Social Media, Memberships		8,500	8,500	
Conferences, training, travel		5,000	5,000	
Video Equipment		700	700	
Website Redesign		13,000	13,000	
Business and Travel	26,000	25,000	18,000	
Total Communications	154,000	97,200	110,200	
Transition Ministry				
Travel & Business - Transition Minister	10,000	11,000	11,000	
Bishop's Fellows	-	75,000	75,000	BF
Total Transition Ministry	10,000	86,000	86,000	
Wellness and Care Ministry				
Business and Travel	15,000	15,000	15,000	
Safe Church (Congregational Wellness /Care)	55,650	56,000	57,500	
Clergy & Family Wellness/Care	15,000	10,000	42,500	WE
Recovery Ministry	11,500	6,000	6,000	
Total Wellness and Care Ministry	97,150	87,000	121,000	
Other Ministry Expenses				
Interfaith and Ecumenical Work	1,000	2,500	2,500	
Chaplains to the Retired	7,200	7,200	6,000	
Consultant for Schools	1,500	13,500	12,500	
Support for Congregations	82,000	70,000	70,000	
Calling & Moving	75,000	75,000	105,000	EL
Iona School and Center	130,000	145,000	165,000	
Clergy Training (Clericus, Curates, Cont. Educ. & FTIC)	45,900	45,900	50,000	
Conferences & Clergy Gatherings	60,000	73,500	90,000	
Total Other Ministry Expenses	402,600	432,600	501,000	
TOTAL MINISTRY EXPENSES	2,456,950	1,686,422	1,665,563	

MISSION AMPLIFICATION				
Mission Amplification Compensation				
Salaries, Stipends and Housing	583,300	617,666	689,969	
Pensions	67,600	79,145	90,895	
Employer FICA	53,400	63,510	72,905	
Total Mission Amplification Compensation	704,300	760,320	853,769	RO,IN
Business/Travel - Mission Amp Team	56,000	49,000	60,000	MB
Mission Amplification General				
Church Plants and Strategic Development	26,500	40,000	34,000	
Business/Travel - Strategic Development	-	12,000	-	MB
Small Conferences	4,000	13,500	13,500	
New Mission Work	3,000	6,000	8,000	
Vestry/Leadership Development	10,000	10,000	12,000	
Total Mission Amplification	43,500	81,500	67,500	
Christian Formation				
Christian Formation	55,000	55,000	33,850	
Unified Commissions Expense	47,000	47,000	57,500	
Youth Ministry	130,000	132,600	142,600	
Episcopal Service Corps	177,600	167,709	83,855	SC
Business/travel - Other	16,000	-	-	
Total Christian Formation	425,600	402,309	317,805	
Intercultural Development	30,500	30,500	20,000	
TOTAL MISSION AMPLIFICATION EXPENSES	1,259,900	1,323,629	1,319,074	
SERVICE AND OUTREACH				
Support of the Episcopal Church	1,221,449	1,327,162	1,352,704	DA - 15%
Support of the Anglican Communion	300,000	300,000	300,000	
Support for the University of the South	8,000	8,000	5,000	
Provincial Synod Assessment	13,500	13,500	7,500	
Sustainable Development Goals	72,205	77,436	79,522	0.7% of Rev.
World Mission	35,000	35,000	25,000	
Companion Dioceses	40,000	40,000	50,000	
Disaster Outreach Expense	3,000	3,000	-	
Prison & Restorative Justice Missions	40,000	40,000	40,000	
TOTAL SERVICE AND OUTREACH	1,733,154	1,844,098	1,859,726	

ADMINISTRATIVE EXPENSES				
Lay Staff Compensation				
Salaries	614,100	692,811	758,187	RO, IN
Reserve for Salary Increases	20,000	30,000	30,000	
Pensions	55,300	62,675	68,237	
Employer FICA	47,000	51,093	48,572	
Total Staff Compensation	736,400	836,579	904,996	
Diocesan Center Operating Expense				
Information Technology	230,000	320,520	266,535	OH, IT
Utilities	88,000	90,000	90,000	OH
Janitorial, Maint. & Building	90,000	90,000	97,000	OH
Houston office support to PECC			98,000	OH, DC
Rent - Austin & Tyler Offices	95,000	95,000	96,216	
Storage	18,000	21,000	18,000	
Total Diocesan Center Operating Expense	521,000	616,520	665,751	
General Office Expense				
Office Equip Lease/Maint	38,000	45,000	45,000	
Office Supplies/Printing	40,000	46,000	46,000	
Communications-Telephone	46,000	46,400	40,000	
Postage/Delivery Expense	28,000	29,100	20,000	
Miscellaneous Office Expense	10,000	10,000	10,000	
Payroll Processing Expense	10,500	12,000	12,000	
HR Consulting & other transition costs	60,000	10,000	20,000	
Depreciation - Furniture & Equipment	22,000	24,000	42,000	
Total General Office Expense	254,500	222,500	235,000	OH
Insurance				
Diocesan Property & Casualty Insurance	80,400	79,546	79,027	OH
Diocesan Workers' Compensation Insurance	25,000	24,001	14,000	OH
Automobile Insurance for Diocesan Vehicles	20,000	21,000	24,000	
Group Health Insurance	334,759	542,846	477,644	HE
Other Health Insurance Costs (insurance reserve)	125,000	75,000	75,000	
Total Insurance	585,159	742,393	669,671	
Other Administrative Expenses				
Overhead reimbursement to the EDOT FSC	331,440	288,978	280,021	
Legal Expense	40,000	50,000	60,000	
Diocesan Audit	25,000	27,000	25,000	
Interest and Bank Fees	15,000	11,800	11,800	
Business/Travel-Finance Staff	75,000	75,500	75,500	OH
Subsidy Pension - Retired Clergy	7,000	7,200	6,000	
Diocesan Staff meetings	10,000	20,000	24,000	
Employee training and development			5,000	
Miscellaneous Operating Expense	1,585	-	5,000	
Total Other Admin	505,026	480,478	492,321	
TOTAL ADMINISTRATIVE EXPENSES	2,602,085	2,898,470	2,967,739	
TOTAL EXPENSES	10,705,000	11,062,349	11,360,348	
Special Accounts - Net				
NET CHANGE IN ASSETS	\$ (390,000)	\$ -	\$ -	
Allocable Expenses			\$ 955,062	

NOTES

- AT Assessment** - The Diocesan Assessment increased as a result of changes in Parish revenues. There were no formula changes.
- HE Health Insurance Costs** - This assessment amount is net of the \$5 Million grant from the Episcopal Health Foundation to offset these costs.
Insurance expense is offset by the Insurance Assessment.
- PR Provision for Uncollectible** - This amount is 2% of the Assessments and represents the amount unlikely to be paid by congregations.
- OH Overhead** - These amounts represent reimbursement to the Diocese for overhead expenses incurred on behalf of the Foundations.
- RO Reorganization** - Personnel changes related to ongoing reorganization of Diocesan office.
- GC General Convention** - 2018 General Convention.
- EL Bishop Suffragan Election** - Expenses related to Transition of Bishop Suffragan of Western Region.
- DC Diocesan Center** - Houston office support paid to Church Corporation.
- IO IONA** - Increase due to the planned expansion of the program.
- SC Episcopal Service Corps** - Mission Amplification re-evaluation of young adult ministry.
- ERD Episcopal Relief and Development** - Hurricane Harvey recovery efforts transferred to Special Accounts.
- CM Campus Missions** - The support to the Campus ministry has been transitioned to The Great Commission Foundation.
- BA Bishop Suffragan Transition** - Decrease due to transition of Bishop Suffragan; fewer months in 2019.
- BF Bishop Fellows** - Grant to employ clergy in transition supported by the Episcopal Health Foundation.
- MB Mission Amplification** - Combined Mission Amplification business expenses
- RM Rectory Maintenance** - Maintenance cost of Bishops' Residences.
- RC Remuneration Committee** - The Remuneration Sub-Committee of the Diocese recommended enhancements to Office of the Bishop business expense.
- IN Increases** - The Diocese adjusted compensation for all clergy and lay staff by an average of 3% for 2019.
- IT Information Technology** - Savings due to the transfer of IT network support functions to EDOT staff that had been outsourced.
- DA Diocesan Asking** - The Diocese has reached its goal to meet the TEC asking (15% of revenues).
- WE Wellness and Care** - PECC grant in support of Wellness and Care Ministry.

SUMMARY OF 2019 BUDGET CHANGES

The Episcopal Diocese of Texas
Summary of 2019 Budget Changes - Revenue
\$000

	Favorable (Unfavorable)
Increase in Revenues	
Increase in Assessment Revenue	183
Increase in Foundations support	96
Increase in Council revenue	21
ERD Hurricane recovery grant moved to special accounts	(125)
Wellness and Care PECC Grant	136
Other revenues decrease	(11)
	<hr/>
Total Increase in Revenues	298

The Episcopal Diocese of Texas
Summary of 2019 Budget Changes- Expenses
\$000

	Favorable (Unfavorable)
(Increase) Decrease in Expenses	
Compensation adjustment--3% cost of living	(110)
Office of the Bishop	
Rectory Maintenance	(87)
West Region Bishop Budgeted	47
Suffagan position open 2 months	
Business and Travel	(56)
Other	(17)
	<hr/>
	(112)
Canonical Expense	
Bishop Suffragan Transition	(85)
Commission on Ministry	(8)
Diocesan Council	(10)
General Convention	50
	<hr/>

		(53)	
Ministry			
	Hurricane recovery staff moved to ERD special accoutns	121	
	New communication initiatives	(13)	
	Clergy wellness resources	(34)	
	IONA budget	(20)	
	Calling and moving	(30)	
	Other	(3)	
		<hr/>	21
Mission Amp			
	Staff addition	(56)	
	Expenses assumed by Great Commission	(11)	
	General expenses	14	
	Mission Amp re-evaluation of young adult ministry	85	
	Other	(7)	
		<hr/>	25
Service & Outreach			
	Support of the Episcopal Church	(26)	
	World Mission	(2)	
	Other	6	
		<hr/>	(22)
Administration			
	Staff addition	(45)	
	Decrease in IT expenses	54	
	Diocesan Rent payment to Church Corp.	(98)	
	Increase to depreciation expense due to capital improvements	(18)	
	Medical Insurance	65	
	Other	(4)	
		<hr/>	(46)
Total Increase in Expenses			<hr/> (298) <hr/>
Net change in revenues over expenses, 2018 Budget vs 2019 Budget			<hr/> (0) <hr/>

2019 DIOCESAN ASSESSMENTS

<u>PARISHES</u>	<u>CITY</u>	<u>2017</u> <u>Operating</u> <u>Revenues</u>	<u>2019</u> <u>Insurance</u> <u>Assessment</u>	<u>2019</u> <u>Diocesan</u> <u>Assessments</u>
Grace	Alvin	164,408	1,061	9,864
Holy Comforter	Angleton	280,278	1,808	19,265
All Saints'	Austin	1,109,666	7,158	110,967
Good Shepherd	Austin	3,210,105	20,708	298,983
St. Alban's	Austin	429,260	2,769	33,377
St. Christopher's	Austin	213,076	1,375	12,785
St. David's	Austin	2,783,194	17,954	278,319
St. George's	Austin	245,135	1,581	17,159
St. James'	Austin	706,087	4,555	63,548
St. John's	Austin	203,316	1,312	12,199
St. Luke's on the Lake	Austin	993,157	6,407	99,316
St. Mark's	Austin	571,047	3,684	51,394
St. Matthew's	Austin	1,194,663	7,707	119,466
St Michael's	Austin	782,115	5,045	70,390
Calvary	Bastrop	362,347	2,337	28,988
St. Mark's	Bay City	305,738	1,972	18,531
Trinity	Baytown	441,302	2,847	35,304
St. Mark's	Beaumont	832,732	5,372	74,946
St. Stephen's	Beaumont	571,254	3,685	51,413
St. Mary's	Bellville	199,588	1,288	11,975
St. Peter's	Brenham	401,002	2,587	32,080
St. Andrew's	Bryan	564,960	3,645	45,608
Epiphany	Burnet	122,968	793	7,795
Christ Church	Cedar Park	250,896	1,619	16,332
St. Francis'	College Station	182,115	1,175	10,460
St. Thomas'	College Station	567,450	3,661	50,501
St. James the Apostle	Conroe	741,497	4,783	59,839
St. Aidan's	Cypress	474,096	3,058	34,477
St. Mary's (Houston)	Cypress	603,572	3,894	54,321
Holy Trinity	Dickinson	247,725	1,598	17,341
Christ Church	Eagle Lake	120,035	774	7,143
St. Paul's	Freeport	35,934	232	2,156
Good Shepherd	Friendswood	417,605	2,694	33,408
Grace	Galveston	256,062	1,652	17,924

Trinity	Galveston	694,291	4,479	62,486
Grace	Georgetown	714,828	4,611	64,335
St. Bartholomew's	Hempstead	24,690	159	2,469
St. Matthew's	Henderson	139,127	898	7,956
Ascension	Houston	447,084	2,884	35,767
Christ Church				
Cathedral	Houston	3,644,999	23,514	364,500
Emmanuel	Houston	636,457	4,106	57,281
Epiphany	Houston	571,298	3,685	51,417
Holy Spirit	Houston	780,014	5,032	70,201
Hope	Houston	158,247	1,021	9,495
Palmer Memorial	Houston	1,772,056	11,431	177,206
San Mateo	Houston	277,162	1,788	14,907
St. Andrew's	Houston	559,355	3,608	36,028
St. Christopher's	Houston	392,548	2,532	31,404
St. Cuthbert's	Houston	782,790	5,050	70,451
St. Dunstan's	Houston	1,165,836	7,521	116,584
St. Francis'	Houston	2,125,454	13,711	189,252
St. James'	Houston	711,316	4,589	64,018
St. John the Divine	Houston	6,849,927	44,189	684,993
St. Luke the Evangelist	Houston	80,184	517	4,811
St. Mark's	Houston	1,147,298	7,401	106,780
St. Martin's	Houston	14,590,580	94,123	1,459,058
St. Stephen's	Houston	1,109,958	7,160	96,755
St. Thomas'	Houston	539,733	3,482	49,510
St. Thomas the				
Apostle	Houston	535,853	3,457	42,868
Trinity	Houston	918,779	5,927	91,878
Christ the King	Humble/Atascocita	283,835	1,831	19,868
St. Stephen's	Huntsville	334,819	2,160	18,986
Trinity	Jasper	78,527	507	4,712
Holy Apostles'	Katy	1,050,024	6,774	105,002
St. Paul's	Katy	364,270	2,350	24,730
St. Christopher's	Killeen	299,626	1,933	20,974
Good Shepherd	Kingwood	925,243	5,969	92,524
St. James'	La Grange	394,865	2,547	26,838
St. Timothy's	Lake Jackson	406,502	2,622	32,520
St. Mary's	Lampasas	134,818	870	8,089
St. John's	La Porte	272,230	1,756	19,056
St. Christopher's	League City	521,654	3,365	41,732
St. Stephen's	Liberty	249,679	1,611	17,478

St. Luke's	Livingston	122,540	790	7,352
St. Michael & All Angels	Longview	187,692	1,211	9,980
Trinity	Longview	640,248	4,130	57,622
St. Cyprian's	Lufkin	574,085	3,703	51,668
Trinity	Marble Falls	406,314	2,621	32,505
St. John's	Marlin	62,351	402	3,247
Trinity	Marshall	506,095	3,265	39,615
St. Catherine of Sienna	Missouri City	383,182	2,472	30,655
Christ Church	Nacogdoches	550,506	3,551	41,923
St. Paul's	Navasota	82,182	530	4,931
St. Philip's	Palestine	269,155	1,736	17,898
St. Andrew's	Pearland	564,919	3,644	46,763
Holy Trinity	Port Neches	203,095	1,310	12,186
St. Francis of Assisi	Prairie View	68,845	444	4,131
Calvary	Richmond	616,199	3,975	55,458
St. Mark's	Richmond	352,650	2,275	25,449
St. Richard's	Round Rock	577,998	3,729	46,294
St. John's	Sealy	72,884	470	4,373
Holy Comforter	Spring	394,757	2,547	28,313
All Saints'	Stafford	335,630	2,165	22,825
Holy Cross	Sugar Land	590,618	3,810	42,512
Christ Church	Temple	574,802	3,708	38,900
St. Francis'	Temple	304,222	1,963	21,296
St. George's	Texas City	155,133	1,001	9,308
Trinity	The Woodlands	1,281,435	8,266	128,144
Good Shepherd	Tomball	370,071	2,387	29,606
Christ Church	Tyler	1,563,675	10,087	156,368
St. Francis'	Tyler	232,614	1,501	16,283
Holy Spirit	Waco	267,476	1,725	18,723
St. Alban's	Waco	673,885	4,347	51,926
St. Paul's	Waco	1,249,598	8,061	124,960
St. Mary's	West Columbia	177,483	1,145	10,824
St. Thomas'	Wharton	226,820	1,463	15,877

TOTAL				
PARISHES	81,909,500	528,394	7,410,408	

MISSIONS

Trinity	Anahuac	34,500	167	2,070
Resurrection	Austin	241,479	1,168	14,490
San Francisco De Asis	Austin	74,143	359	4,256
Epiphany	Calvert	15,591	75	935
All Saints'	Cameron	168,857	817	6,038
St. John's	Carthage	38,216	185	2,454
St. John's	Center	42,714	207	2,563
St. John's	Columbus	45,838	222	2,292
St. Martin's	Copperas Cove	65,000	314	3,842
All Saints'	Crockett	30,976	150	1,859
St. Augustine of Hippo	Galveston	16,327	79	1,633
St. Philip's	Hearne	8,783	42	439
All Saints'	Hitchcock	39,000	189	2,340
Christ the King	Houston (Alief)	144,233	698	8,654
Grace (St. Geo & Pats)	Houston	256,167	1,239	15,030
Lord of the Streets	Houston	601,486	2,910	13,470
Redeemer	Houston	80,954	392	4,857
St. Paul's & San Pablo	Houston	149,957	726	7,498
Santa Maria Virgen	Houston	220,988	1,069	13,917
St. Alban's	Houston	85,465	413	5,430
St. Timothy's	Houston	137,314	664	8,239
Trinity	Jacksonville	71,136	344	3,581
Christ Church	Jefferson	52,594	254	3,156
St. Paul's	Leigh	17,049	82	852
St. Paul's	Kilgore	89,296	432	4,649
St. Michael's	La Marque	161,694	782	9,702
St. Peter's	Lago Vista	56,591	274	3,395
Church of the Cross	Lakeway	255,366	1,236	9,355
St. Luke's	Lindale	66,568	322	3,868
Holy Innocents'	Madisonville	19,641	95	1,178
St. Mary Magdalene	Manor	171,747	831	8,587
Christ Church	Matagorda	55,629	269	2,781
Christ Church	Mexia	55,831	270	3,004
St. Paul's	Orange	360,582	1,745	10,584
St. John's	Palacios	28,068	136	1,403
St. Peter's	Pasadena	254,272	1,230	15,508
St. Paul's	Pflugerville	63,421	307	3,427
St. Thomas'	Rockdale	28,067	136	1,766

St. Julian of Norwich	Round Rock	293,826	1,422	14,691
St. Joseph's	Salado	85,141	412	5,108
Christ Church	San Augustine	74,509	360	3,725
St. John's	Silsbee	109,541	530	6,572
St. James'	Taylor	62,429	302	3,389
St. John the Baptist	Tyler	28,869	140	1,573
St. Paul's	Woodville	52,370	253	3,142
TOTAL				
MISSIONS		5,012,225	24,249	247,302
TOTAL		86,921,725	552,643	7,657,710

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT FOR THE
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016**

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

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of Episcopal Diocese of Texas (an operating unit of the Protestant Episcopal Church in the Diocese of Texas), which comprise the statements of financial position as of December 31, 2017 and 2016 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, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

June 20, 2018

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 478,776	\$ 205,323
Assessments and other receivables, net:		
Diocesan operating entities	677,583	440,875
Parishes and missions	426,922	302,657
Other	2,457	3,054
Prepaid expenses	113,141	110,059
Property, net (Note 2)	<u>425,120</u>	<u>340,716</u>
TOTAL ASSETS	<u>\$ 2,123,999</u>	<u>\$ 1,402,684</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 300,037	\$ 335,794
Due to Diocesan operating entities	239,295	59,876
Due to related entities	215,251	
Funds held for parishes and missions	35,639	55,913
Deferred revenue	<u>132,406</u>	<u>90,158</u>
Total liabilities	<u>922,628</u>	<u>541,741</u>
Commitments (Note 6)		
Net assets:		
Unrestricted	798,465	789,672
Temporarily restricted (Note 3)	<u>402,906</u>	<u>71,271</u>
Total net assets	<u>1,201,371</u>	<u>860,943</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,123,999</u>	<u>\$ 1,402,684</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, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Diocesan assessments of parishes and missions	\$ 7,917,275		\$ 7,917,275
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the Dioceses of Texas	383,669		383,669
The Episcopal Health Foundation	720,721	\$ 74,182	794,903
The Bishop Quin Foundation	451,159	207,091	658,250
Episcopal Foundation of Texas	239,562	37,091	276,653
The Great Commission Foundation	256,006	55,636	311,642
Contributions		392,335	392,335
Program fees	<u>641,039</u>	<u>4,288</u>	<u>645,327</u>
Total revenue	10,609,431	770,623	11,380,054
Net assets released from restrictions:			
Program expenditures	<u>438,988</u>	<u>(438,988)</u>	
Total	<u>11,048,419</u>	<u>331,635</u>	<u>11,380,054</u>
EXPENSES:			
Diocesan clergy and lay salaries and related benefits	5,013,553		5,013,553
Diocesan programs	1,564,533		1,564,533
Outreach and service	1,788,902		1,788,902
Diocesan center operations	1,386,775		1,386,775
Administrative support for congregations	397,668		397,668
Travel, business, and continuing education	520,029		520,029
Hurricane Harvey response and recovery	<u>368,166</u>		<u>368,166</u>
Total expenses (Note 5)	<u>11,039,626</u>		<u>11,039,626</u>
CHANGES IN NET ASSETS	8,793	331,635	340,428
Net assets, beginning of year	<u>789,672</u>	<u>71,271</u>	<u>860,943</u>
Net assets, end of year	<u>\$ 798,465</u>	<u>\$ 402,906</u>	<u>\$ 1,201,371</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, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Diocesan assessments of parishes and missions	\$ 7,837,016		\$ 7,837,016
Support from Diocesan operating entities:			
Protestant Episcopal Church Council of the Dioceses of Texas	436,265		436,265
The Episcopal Health Foundation	550,580		550,580
The Bishop Quin Foundation	377,124		377,124
Episcopal Foundation of Texas	234,470		234,470
The Great Commission Foundation	247,070		247,070
Contributions		\$ 112,303	112,303
Program fees	<u>479,507</u>	<u> </u>	<u>479,507</u>
Total revenue	10,162,032	112,303	10,274,335
Net assets released from restrictions:			
Program expenditures	<u>78,941</u>	<u>(78,941)</u>	<u> </u>
Total	<u>10,240,973</u>	<u>33,362</u>	<u>10,274,335</u>
EXPENSES:			
Diocesan clergy and lay salaries and related benefits	4,467,618		4,467,618
Diocesan programs	1,562,671		1,562,671
Outreach and service	1,596,627		1,596,627
Diocesan center operations	1,232,731		1,232,731
Administrative support for congregations	562,744		562,744
Travel, business, and continuing education	<u>501,366</u>	<u> </u>	<u>501,366</u>
Total expenses (Note 5)	<u>9,923,757</u>	<u> </u>	<u>9,923,757</u>
CHANGES IN NET ASSETS	317,216	33,362	350,578
Net assets, beginning of year	<u>472,456</u>	<u>37,909</u>	<u>510,365</u>
Net assets, end of year	<u>\$ 789,672</u>	<u>\$ 71,271</u>	<u>\$ 860,943</u>

See accompanying notes to financial statements.

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 340,428	\$ 350,578
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	157,912	135,165
Provision for uncollectible accounts	11,191	79,174
Changes in operating assets and liabilities:		
Assessments and other receivables	(371,567)	(14,997)
Prepaid expenses	(3,082)	(9,931)
Accounts payable and accrued expenses	(35,757)	166,527
Due to Diocesan operating entities	179,419	36,591
Due to related entities	215,251	
Funds held for parishes and missions	(20,274)	(8,459)
Deferred revenue	42,248	38,317
Grants payable		(100,881)
Net cash provided by operating activities	<u>515,769</u>	<u>672,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(242,316)</u>	<u>(177,390)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on note payable		200,000
Payments on note payable		<u>(550,000)</u>
Net cash used by financing activities		<u>(350,000)</u>
NET CHANGE IN CASH	273,453	144,694
Cash, beginning of year	<u>205,323</u>	<u>60,629</u>
Cash, end of year	<u>\$ 478,776</u>	<u>\$ 205,323</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, 2017 and 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

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

Allowances for uncollectible accounts are provided when it is believed they may not be collected in full. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a specific analysis of each receivable balance. The allowance for uncollectible accounts was approximately \$105,000 at December 31, 2017 and 2016.

Property with a cost of \$500 or more and an estimated useful life of more than one year is capitalized and reported at cost, if purchased, and at fair value at the date of gift if donated. EDOT provides for depreciation using the straight-line method based upon estimated useful lives of 3 to 15 years.

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

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

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

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

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

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, 2017 and 2016, management estimates that approximately 78% of expenses were attributable to program services and 22% were attributable to management and general activities.

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

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. EDOT is required to adopt this ASU for fiscal year 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – PROPERTY

Property consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and equipment	\$ 733,474	\$ 776,887
Vehicles	<u>244,632</u>	<u>222,200</u>
Total property, at cost	978,106	999,087
Accumulated depreciation	<u>(552,986)</u>	<u>(658,371)</u>
Property, net	<u>\$ 425,120</u>	<u>\$ 340,716</u>

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Natural disaster relief	\$ 185,774	\$ 8,633
General convention	170,000	
Scholarships and missions	<u>47,132</u>	<u>62,638</u>
Total temporarily restricted net assets	<u>\$ 402,906</u>	<u>\$ 71,271</u>

NOTE 4 – RETIREMENT PLANS

Clergy Plan

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

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

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

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

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

EDOT recognizes its assessments in the period that the related services are provided by the clergy. During 2017 and 2016, EDOT recognized assessments to the Plan totaling approximately \$290,000 and \$247,000, respectively.

The funding positions of the Plan as of March 31, 2017 and 2016 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>2017</u>	<u>2016</u>
Net assets available for pension benefits – after amount designated for assessment deficiencies	\$ 9,287,173,000	\$ 8,300,861,000
Less: Actuarial present value of accumulated plan benefit obligations	<u>(6,502,134,000)</u>	<u>(6,715,978,000)</u>
Surplus	<u>\$ 2,785,039,000</u>	<u>\$ 1,584,883,000</u>
Funding percentage	143%	124%

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 \$270,000 and \$150,000 to this plan in 2017 and 2016, respectively.

NOTE 5 – RELATED ENTITY TRANSACTIONS

EDOT provides support to parishes, schools, missions, and other Diocesan entities. During 2017 and 2016, EDOT expended approximately \$453,000 and \$687,000 to parishes, schools, and missions, respectively. Additionally, EDOT uses Camp Allen Camp and Conference Center (Camp Allen) facilities for meetings and conferences and recognized expenses for use of those facilities totaling approximately \$365,000 and \$356,000 during 2017 and 2016, respectively. EDOT recognized expenses provided by FSC for administrative support totaling approximately \$331,000 and \$334,000 during 2017 and 2016, respectively, and for clergy health costs totaling approximately \$50,000 and \$305,000 for 2017 and 2016, respectively. EDOT paid EFT \$60,000 and \$75,000 for rent expense in 2017 and 2016, respectively. These amounts are included in expenses in these financial statements.

NOTE 6 – COMMITMENTS

Leases – EDOT leases office space and office equipment under operating leases. The office space for the Austin Diocesan offices is leased from EFT through May 31, 2029, at a rate of approximately \$60,000 per year. The office space for the Tyler Diocesan offices is leased from Church Corporation through April 30, 2026, at a rate of approximately \$22,200 per year. Future minimum lease payments are as follows:

2018	\$ 143,000
2019	131,000
2020	107,000
2021	97,000
2022	96,000
Thereafter	<u>509,000</u>
Total minimum lease payments	<u>\$ 1,083,000</u>

Rental expense for 2017 and 2016 was \$150,000 and \$131,000, respectively.

Line of Credit – EDOT has a \$1,000,000 line of credit with a bank with an interest rate of prime less 0.75% and a 3.75% floor (3.75% at December 31, 2017), expiring in October 2019. The line of credit is guaranteed by Church Corporation. There were no amounts outstanding under this agreement at December 31, 2017 or 2016.

Hurricane Disaster Conditional Grants – During December 2017, EHF, GCF, EFT and BQ conditionally committed up to \$5.5 million to EDOT for Hurricane Harvey response and recovery initiatives. As of December 31, 2017, \$204,000 has been funded and recognized as contribution revenue. It is expected that as EDOT identifies and approves claims of support for churches and schools, the conditions of the grant will be met.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

HEALTH INSURANCE

The Diocese of Texas purchases its health insurance coverage through the group medical plans offered by the Episcopal Church Medical Trust. (An affiliate of the Church Pension Fund) These plans cover all eligible active clergy, retired clergy, surviving clergy spouses, diocesan lay employees and the eligible dependents of each of these groups.

To active participants the Diocese currently offers eleven Medical Trust Plans:

1. Cigna Consumer Directed Health Plan CDHP-20
2. Anthem Blue Cross Blue Shield Consumer Directed Health Plan CDHP-20
3. Cigna Consumer Directed Health Plan CDHP-40
4. Anthem Blue Cross Blue Shield Consumer Directed Health Plan CDHP-40
5. Anthem BCBS BlueCard PPO 90
6. Anthem BCBS BlueCard PPO 80
7. Anthem BCBS BlueCard PPO 70

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 and the Diocese. The Diocese also provides a Behavioral Health benefit that is administered through the Episcopal Church Medical Trust's Employee Assistance program, which is available to all covered clergy and lay employees.

Overall, the cost of health insurance for active diocesan clergy increase by 3.2% in 2019. Parishes and institutions health insurance cost will rise by 6.47% for 2019. This increase is less than the average for premium increases across the United States. Our Insurance Task Force held a meeting on September 12, 2018, to look at these changes in more detail and will make recommendations to the Executive Board prior to year-end. As a reminder, in September 2013 the Executive Board voted that all clergy joining the Diocese after December 31, 2014, would receive only single coverage for themselves. By terminating family coverage for those clergy hired after January 1, 2015, the Diocese has now fully implemented parity between clergy and lay health insurance coverage.

As in past years, the Diocese will be provided with \$5 million in 2019 to offset its health care costs through the generosity of the Episcopal Health Foundation. These funds will allow the Executive Board to continue the significantly reduced insurance assessment on the parishes.

Please call or email Zee Turnbull, Human Resources/Benefits Administrator, at 713-353-2120 or 800-318-4452, ext. 2120, zturnbull@epicenter.org for further information regarding health insurance.

Linda Riley Mitchell, CFO

CLERGY LIFE INSURANCE

Effective January 1, 2018, the Church Pension Fund increased the life insurance coverage available to clergy and began providing up to \$150,000 in life insurance for all eligible, active clergy. This increased benefit generates imputed taxable income to the clergy-person under the Internal Revenue Code. Churches will need to include this amount on the clergy person's W-2 each year.

Retired clergy or clergy person with 25 years of credited service will continue to receive \$50,000 of life insurance for retiree life insurance. We emphasize how **extremely important** it is that pension assessments be paid currently for all active clergy. Failure

to do so by their parishes could result in the loss of this important life insurance benefit to the clergy. If the pension assessments for a priest are in arrears by more than twelve months and the priest should die, life insurance benefit will not be paid.

Since 2002, Supplemental Life Insurance has been offered to all active clergy and lay employees under the age of 65. This plan offers the option to purchase Supplemental Term Life Insurance for the eligible clergy person or lay employee up to three times the life insurance benefit the Diocese provides. Or, they may purchase in increments of \$50,000 to a maximum of \$500,000 of coverage. Spousal coverage is based on the same calculation; however, it is limited to a maximum coverage of \$240,000. Clergy and lay employees will be responsible for the premiums and may apply at the date of hire. Premiums are based upon age and change in five-year increments. The supplemental term life insurance will be automatically reduced by 50% at age 65 and terminates at age 70.

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

Linda Riley Mitchell, CFO

PENSIONS

Pensions are provided to the clergy through participation in the Church Pension Fund. This is funded by monthly contributions based on the compensation of clergy in each parish. Parishes are responsible for making monthly contributions. The clergy should also review their reports from the Pension Fund to assure the accuracy and timeliness of the amounts remitted to the Church Pension Fund. Delay in reporting changes results in retroactive adjustments, which are difficult to manage. In addition, adjustments can only be made for the previous two years, so failure to report adjustments could result in lower pension bases and therefore reduced pensions at retirement.

The Pension Fund's total net assets for the year ended March 31, 2018, were over \$13.31 billion representing an increase which totaled \$96.8 million as compared to March 31, 2017. These assets are still in excess of the required reserves by over \$1.40 billion. The Fund investments have a moderate return during this fiscal year. The Pension Fund paid out a total of \$383 million in pensions and other benefits during fiscal 2017.

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

<u>Beneficiaries</u>	<u>2018</u>	<u>2017</u>
Retired Clergy		
Normal Retirement	4,130	4,029
Early Retirement	3,577	3,612
Disability Retirement	433	445
Surviving Spouses	<u>2,740</u>	<u>2,701</u>
TOTAL	8,140	10,787

As the number of retirees increases in every diocese, the Church Pension Fund, through its ministry to the retired, is available to assist chaplains designated by our bishop in the ministry established in our diocese. Through personal contact and educational services, they are willing to assist the chaplains in interpreting pension benefits as well as introduce proven programs for ministry to and with the retired. The

Church Pension Fund, in conjunction with the Diocese, provides training to enhance the pastoral ministry of these chaplains. The Church Pension Fund's Department of Pastoral Care and Education continues to offer Planning for Tomorrow Conferences, presented in each diocese every five years.

Church treasurers should be aware that 30% of the clergy's compensation is the annual housing factor to be used when computing the pension base for a clergy person who lives in a home owned by the church. Amounts reimbursed to clergy for payment of their self-employment social security also form part of the pension base along with salary, housing and utility allowances. Forms for calculation of clergy pension are available on the Diocesan website.

Church treasurers should promptly notify the Church Pension Fund office of all changes in compensation paid to their clergy staff. Monthly Pension assessment statements are issued by the Church Pension Fund and are based upon information on file. For questions or information, contact the Church Pension Group is 866-802-6333 or Zee Turnbull at 713-353-2120 or zturnbull@epicenter.org.

Linda Riley Mitchell, CFO

PROPERTY INSURANCE

Nearly all congregations within the Diocese hold property and casualty and personal property insurance with the Church Insurance Company of Vermont and their product partners. Parishes, missions and entities within the Diocese are free to insure their property with any reputable company of their choice so long as the coverages afforded are in accordance with Title II, Canon 5.2. This Canon requires that the coverages afforded under policies purchased from outside sources be comparable to those from the Church Insurance Company in the Diocesan master policy. Many commercial carriers will not write sexual misconduct insurance for churches and this coverage is required by the Diocese.

It is recommended to perform an annual review of your insurance coverage for general liability, sexual misconduct, non-owned auto, worker's compensation, director's and officer's liability and umbrella liability provisions.

Note that, flood coverage at Church Insurance is a \$1,000,000 maximum limit, which is the minimum coverage to carry for flood. A Blanket Crime provision covers theft within churches with a \$25,000 limit. (Additional coverage is available at the church's expense.) Specific entities may find that they require other more expanded coverages to protect fine art, stained glass, vestments or other valuable church property. Church Insurance protects their insureds with all these coverages through the Diocesan master policy. They are also available to assist in reviewing coverage.

Church Insurance Agency has obtained product partners to provide quality coverage in several areas at a more affordable rate; such as director's and officer's and umbrella liabilities and this coverage is recommended by the Diocese.

For information and assistance with insurance through the Church Insurance Company, please contact our agent Mr. John Scheffler, Vice President of Client Services, at 972-355-0927 or via email to JScheffler@cpq.org or Jonathan Blaker at the Diocesan office at 713-353-2134 or jblaker@epicenter.org.

Linda Riley Mitchell, CFO

COMMITTEES AND BOARDS CREATED BY CANON

AUSTIN CONVOCATION

In 2018, after many years of faithful ministry, the Rev. Morgan Allen stepped down from his office of Dean of the Austin Convocation of Clergy. During his decanal tenure, the Rev. Allen fostered a culture of collegiality, mutual support, and friendship among our priests and deacons. His leadership will be much missed by all of us who have benefited from the ethos of trust and respect which he inculcated in our deanery. 2018 also saw the departure of two of our three excellent regional deanery leaders with the retirement of the Rev. Mike Wyckoff from St. Luke's on the Lake and the departure of the Rev. Matt Seddon from St. John's. As such, we have returned to convocation-wide meetings, and now gather on the last Thursday of each month fellowship and education. We look forward to an engaging assortment of speakers for the 2019 program year.

Bertie Pearson, Dean

CENTRAL CONVOCATION

The rector of Saint Mary's in Bellville, the Rev. James Pevehouse accepted a call to serve as the Senior Associate Rector of Saint Paul's, Waco.

Saint Peter's, Brenham called the Rev. Stephen Whaley to serve as rector.

Saint Andrew's, Bryan continued its ministry in downtown Bryan and beyond. In the spring Saint Andrew's provided *Ashes to Go* and on Good Friday led a downtown Stations of the Cross. In the summer the congregation sent a mission team to the Good Shepherd Mission in the Navajoland, and also completed the construction of a home with Habitat for Humanity. In the fall, with the assistance of the Episcopal Health Foundation, Saint Andrew's hosted a viewing of the documentary *Traces of the Trade*.

Saint Francis', College Station welcomed the arrival of the Rev. Lacy Largent to serve as its priest.

Holy Innocents in Madisonville participated in a joint service of the Stations of the Cross on Good Friday around the Courthouse with the St. Elizabeth Ann Seton Catholic Church and the First United Methodist Church; hosted a women's retreat for the wives, mothers, daughters, and significant others for the men in the recovery center of House of Hope; held its 8th Annual Summer activities for kids on Fridays in the Restoration Community Gardens; donated to water wells in Porto Rico and sent 10,000 flashlights; and sent 4 parishioners and their Vicar, the Rev. Cindy Clark, to serve on two teams for Kairos Prison Ministry in the Women's Hobby Unit in Marlin.

Daryl T. Hay, Dean

EAST HARRIS CONVOCATION

The East Harris Convocation gathers on the fourth Thursday of each month at St. James, Houston. With the help of our facilitator, Sharon Volpe Carroll of the Memorial Counseling Center, the members of this group provide support for one another. At each meeting, we conduct a check-in, which provides an opportunity for each clergy person to

share what's been going on in their parish ministries and our personal lives. Our average attendance is about six. This process has been vital for sharing information, providing resources, and lending listening ears. In 2018, Bishops Monterroso and Doyle visited the group and blessed us their presence and boosted our morale in September and November, respectively.

Victor J. Thomas, Dean

GALVESTON CONVOCATION

Under the leadership of the Rev. Brian W. Cannaday and with the help of the Diocese, 2018, St. Christopher in League City saw the start of discerning a 3 year strategic campaign. What they are most excited about is the results of their parish survey, which revealed that St. Christopher is ready to engage with our community in significant ways. This will be a critical part of their campaign when they launch in 2019.

St Thomas the Apostle Episcopal Church in Nassau Bay welcomes all to worship, serve, and learn. In the past year, our cub scout pack, 1965, has grown from 26 families to 82, the fastest growing pack in the Sam Houston Council and the largest group of girls in scouting in Houston. Our church and school provided 160 families from our local title 1 school with new backpacks, requisite school supplies, new shoes, and thanksgiving dinners. Our parish discerned God call's to be an open and inclusive parish and has deepened and opened our worship experiences with a Fat Tuesday Zydeco Mass, a Pentecost Jazz Mass and Brunch, a Marachi Dia De Los Muertos Mass, and an international art exhibition, Icons in Transformation, that attracted more than 1000 visitors.

The Rev. Mike Stone

Good Shepherd Friendswood is thankful beyond measure to members of this diocese and many others for helping us recover from Hurricane Harvey. In early June Good Shepherd held a public ceremony of celebration as we returned to using two flooded buildings. Rebuilding improvements allowed us to increase and expand ministries into the community. We are blessed. Thank you. The Rev. Geoff Gwynne.

St. John's, La Porte, reopened its After School Program in a newly-renovated facility. SJASP's curriculum and services had been recalibrated in response to community-based research conducted the prior year, with support from Episcopal Health Foundation. During this year and in response to the experiences of the Program's at-risk population, St. John's innovated an anti-bullying protocol, and in collaboration with Krist Samaritan Center provided students with "prosocial" group counseling and education, advancing a classroom culture of civility and acceptance. The Rev. Viktoria Gotting

St. Michael's, La Marque has continued in its mission to reach out to the greater Galveston County community. We have been part of the process of home inspections and renovations following Harvey. We hosted our 10th annual Thanksgiving Dinner for the NAMI Gulf Coast (covering Galveston and Brazoria Counties) and provide a gathering place once a month for family members of mentally ill people to gather for support and guidance. St. M's hosted its annual "Freedom Dinner" in July for residents and graduates of ADA House. We also have an ongoing relationship with the Seafarers' Center of Galveston and its Chaplain, Karen M. Parsons OPS. In September of 2018 St. Michael's celebrated its 70th anniversary and started a long process of much needed repairs resulting from Harvey's destruction. The \$20,000 grant through the Diocese helped to not only repair the damage to our campus from Harvey, but also inspired our people to do some long overdue repairs and renovations. The Rev. Bob Moore

- St. George's Episcopal Church - Texas City: The Hope Church
- + Sung 468 Hymns during Worship
 - + Gathered Ministers from County for Collaboration in Emergency Preparedness
 - + Celebrated and Honored 13 Hometown Heroes
 - + 8 Members Sorted 92 Pallets of Food for Galveston County Food Bank
 - + Distributed 188 Kidz Pacz during summer and facilitated 8 new distribution sites
 - + Created sanctuary for 326 kids and their adults to connect, prepare healthy meals, and learn social & creative skills
- Cursilio Team Members and 3 Participants
- Helped Shape Long Term Harvey Recovery in a Variety of Forms for the County
- The Hope Festival - Connecting Hurricane Harvey Victims with Resources while offering a Free day of Play for Children
- Hosting 99 Youth Mission Groups -- Ambassadors of Hope from across the country to do work
- on Five damaged homes
 - Disciples of Christ - 40 youth and adults from Kansas
 - Episcopal Strong - 60 youth and adults from across the Nation
- On Leadership Team for Galveston County Long Term Recovery Group --
- Hosting Ecumenical Prayer Breakfast to Pray Through Blocks to Recovery in the County
- Facilitated Six Churches across the county Hosting Assessment Days for GCLTRG to Build Up Volunteer Work Force
- + Birthed Two Eagle Scouts
 - + Deacon Joseph Mills taught 52 – 12 Step Classes in Ramsey Correctional Unit
 - + Taught 25 Youth in 3rd & 4th grade organic gardening, healthy cooking, nutrition & life skills

St. Andrew's in Pearland added Deacon Mary Reddick and Father Mike Gemignani to our staff in 2018. Much of our work revolved around Hurricane Harvey Storm Recovery, which was lead by parishioner and Executive Director, Debbie Allensworth. We have served over 50 homes so far working with The Diocese, Episcopal Relief and Development, Sewa International, Mosaic in Action (our 501c3,) and Texas Builders Without Borders. We were recognized for our work by the City of Brazoria and Sewa International. We hosted over 200 volunteers over the summer who worked on homes in Brazoria County. Also, participated in mission work in Costa Rica, South Carolina and Austin. Began work on a possible church plant through our Mosaic Campus in west Pearland. Mosaic housed a successful trial 10 week DayHab for special needs youth who have aged out of the educational system and have little opportunity for relationships or life skill training. Our fall Pumpkin Patch saw over 20,000 people on campus in October and over 600 Trick or Treaters. This is our gift to the city and proceeds go to outreach. The Rev. Jim Liberatore, Rector and Convocational Dean

Grace - Alvin: Served by the Rev. Suzanne Smith

- We have been busy with landscape improvements from trimming of church grounds, our beautiful trees have been trimmed back.
- We've had new side doors installed which have been stained and painted.
- Our church playground has been completely re-grounded. It is an all accessible playground (for handicapped children) which is now accessible to all!

--In September we had our annual Don's Fish Fry which brought about 500 folks onto the grounds of Grace. Just about every member of the church volunteered in some capacity to make this happen! Tremendous outreach for Grace to the city of Alvin.

--In October we had our Fall Pumpkin Patch. Every Saturday in October we had a different activity in the patch:

1. pet blessing --first Saturday
2. children's "It's a Great Pumpkin Charlie Brown" movie night in the patch--second Saturday
3. Children's carnival and game day. Free for all of the school resource officers (and their families) in Alvin--3rd Saturday

--We have a Blessing Box outside of the church where it is stocked with food given by members of the church and community for those who need assistance with food. People come by foot, bike and car to "take what they need or leave what they can".

Jim Liberatore, Dean

NORTHEAST CONVOCATION

Grace and peace to you from the Northeast Convocation!

The status of the Northeast Convocation is excellent. The clergy continue with their usual meetings on the fourth Tuesdays of the month between September and May. We are always grateful for the generous hospitality of the church family at St. Matthew's in Henderson and their priest, The Rev. Pasty Barham.

Our meetings are times for the clergy in the Northeast Convocation to come together for fellowship and discussion of issues around our vocations as clergy. It is also a time for fellowship and support. Sometimes we even go out to lunch together to continue our discussions. We look forward to meeting with the Bishop Diocesan and Suffragan later this season.

Between the Novembers, 2017 and 2018, the following notable things have occurred:

- We continue to use the <https://www.facebook.com/NortheastConvocation/> Facebook page! So far we have had the background photo alternating images of the various churches in the area. We have also been faithful in placing upcoming events for the whole convocation to see.
- Celebrated Christmas together at Bishop Fisher's home. Thank you for your hospitality!
- The Rev. Ryan Mails of St. Michael and All Angels', Longview, was Ordained to the Priesthood on December 22nd.
- The Rev. Frank Hughes of Trinity, Longview, presented "The Pauline Corpus as an Edited Collection."
- Welcomed The Rev. Ted Welty to his new position at Christ Church, Tyler, as the Associate Rector for Christian Formation.
- Welcomed The Rev. Justin Briggles to his new position at St. Philip's, Palestine, as the Rector.

I look forward to being a part of growing conversations in our convocation concerning how we can get together as Episcopalians, members of the Diocese of Texas, and the Northeast Convocation.

Mitch Tollett, Dean

SAN JACINTO CONVOCATION

The clergy of the San Jacinto Convocation meet the first Wednesday of each month for worship, lunch, and fellowship. The Clericus is facilitated by Sharon Carroll. We gather for Holy Eucharist, a “Check-in” concerning happenings over the past month, offer encouragement, collegiality, and support to our members, and engage in conversation relevant to our life and ministry.

This past year we have hosted several guests from the Diocesan Office.

We meet in several of the parishes during the year with every other month holding the meeting at Trinity, The Woodlands (the most central location within the convocation). On the alternating months, we travel to host parishes and enjoy their hospitality and have to opportunity to see other facilities in our Convocation. We seek to take one Quiet Day a year. This year we were unable to do so.

Some changes within the churches of the San Jacinto Convocation in the past year (2018) include:

- The Rev. Vivian Orndorff left as Associate Rector at Trinity, The Woodlands to become Priest in Charge of Holy Trinity, Dickenson, TX.
- The Rev. Robert Price resigned as Rector for Saint Dunstan to become Dean of the Cathedral in the Diocese of Dallas
- The Rev. Alan Bentrup left Saint Mary’s, Cypress to become Canon for Evangelism and Mission for the Diocese of Upper South Carolina
- The Rev. Beth Fain resigned as Rector of Saint Mary’s, Cypress to become Missioner for Congregational Vitality in the diocese of Texas
- The Rev. Deacon Phyllis Hartman left Saint James, Conroe and is discerning her next call.

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

Gerald Sevick, Dean

SOUTHEAST CONVOCATION

Trinity Episcopal Church - Anahuac

Trinity, Anahuac continues its mission to serve others in the name of our Savior, Jesus Christ. Due to the faithful service of our Bishop’s Committee all has run smoothly in a year of transition. The Rev. Elizabeth Miller began her ministry on August 5 as Deacon in Charge and has enjoyed wonderful support. Over the last year, Trinity has donated to local recovery efforts for Hurricane Harvey which includes donations to local businesses. We continue our aid for the Anahuac Senior Center and Food Bank, the fire departments of Mid Chambers County and our annual fish fry which generates funds for the community. This year we look forward to assisting the Meals on Wheels program and Anahuac Senior Citizen Project. At this point, we are in dialogue with the Diocese of the Central Gulf Coast to arrange partnership with a small parish for ongoing recovery support in the aftermath of Hurricane Michael. Our worship community is dedicated to living our baptismal covenant of seeking and serving Christ in all persons.

Trinity Episcopal Church - Jasper

We hosted an Easter Egg Hunt for the kids at Head Start. We now have two supply priests serving us. Byron Crocker comes two times a month, and Max Reynolds comes two times. Les Spear resigned as our permanent supply Priest because of a conflict with his second job. In August, we hosted a luncheon for the teachers at Head Start. In

October, we had a Blessings of the Pets, and invited the community to join us. We are collecting gently used household goods for the Women's and Children's Shelter. This helps the women move into their own homes and get a new start. We are about to start visiting the local nursing homes with our precious pets one Sunday a month. As soon as we get all the papers required by the nursing homes, we will start our visits. We are very proud of this outreach. In addition, several members of Trinity went through training for Safeguarding God's people and Children this summer.

Holy Trinity Episcopal Church – Port Neches

In February of 2018, the Vestry of Holy Trinity called the Rev. Mark Chambers to be their tenth Rector. Father Mark's first Sunday was April 22nd. Since starting we have been working together to rebuild the many ministries that had slowed or stopped. Fr. Mark has formed a church choir, hired an organist, started a new Sunday school program, adult education hour, and children's chapel programs. Fr. Mark has worked to promote and the church in the community becoming an active member in the Port Neches and Nederland Chamber of commerce, presenting at local men's breakfasts and Lions Club meetings. We have gotten more involved in our community by hosting a Back to School Bash, inviting the community at large to a day with games, bounce house, snow cones and hotdogs, and bingo free for all! As part of a Ministry alliance of the local churches we participated in a prayer at the flag pole for our school as classes resumed after the summer break. Holy Trinity gathered with the local community to pray for our students, teachers and administrator for the new school year. On September 26th Fr Mark was officially installed as the Tenth Rector by The Rt. Rev. Hector Monterroso. This drew many from the Diocese, congregation, and other area churches. In October the church raised \$3,500 dollars to fight world hunger with the program Rise Against Hunger. On October 20th the church gathered with local Girl Scouts, Lions Club members, and others from the community to package over 10,000 meals that will be shipped out around the world to feed students and people in disaster areas. In Mid-November the parish's Men's Group will work together to install a new church sign with LED display to be able to communicate to our community all the new things going on in our church. There is a new feeling of hope and joy in our community, we are excited to see what God will do here at Holy Trinity, and what we will do for the community and the world.

St. John's Episcopal Church - Silsbee

St. John's has continued our support this year of area outreach ministries, including the Hardin County Christian Caring Center, which feeds, clothes and provides other services to those in need. We actively participated in CCC's Angel Tree ministry to provide gifts for area children, and our ECW and DOK have continued their active ministries in and around Silsbee.

We continue to provide office space for the Samaritan Counseling Center, which provides counseling services to low and moderate income clients, and we continue to provide meeting space for area 12-step groups.

During the bishop's annual visitation, two new members were received and one confirmed. We've gained new ideas and insights through our continued participation in the small church network

We were forced to remove a large oak tree that has provided us with a shaded lawn gathering space just outside our front doors for generations, and plans are underway for a large hardscape plaza-patio to take its place and provide us with an accessible

outdoor gathering space.

We upped our game a little in promoting our annual pet blessing on social and print media, and we drew a record crowd, including many visitors from around the Silsbee-Lumberton area. We continue working to find ways to connect with the wider community and have finalized plans for a Christmas Jazz concert featuring our music leader and several of his faculty colleagues from the music program at Lamar State College.

St. Stephen's Episcopal Church - Beaumont

The people of St. Stephen's Beaumont have had a year full of unexpected events yet remain energized by some exciting new plans. Much of our work out in the surrounding community is still dictated by recovery and rebuilding after Hurricane Harvey. We suspect that our call to be major players in our community's hurricane response will be a major component of our ministry for years to come. St. Stephen's continues to host mission teams from across the country, providing sleeping, eating, and laundry facilities while they go out to help with recovery work. St. Stephen's parishioners have also redoubled their efforts partnering with Some Other Place to feed the increased number of people in need and Nehemiah's Vision to connect those who need housing assistance with those who can help. Despite this work being a dominant focus of our ministry, in 2018 we stayed true to some of our most prominent outreach traditions: our Service Sundays (where instead of gathering for worship in our church building we all participate in service projects around town, being the church out in the world) and our Saturdays of Service (where we participate in different service projects all the Saturdays of Lent). At the same time our church buildings are almost completely back to their pre-hurricane state, complete with a new floor in the church building, a repaired organ, and soon to be replaced audio system. We waited until our parishioners were back in their homes before focusing on these areas, so it feels like a great accomplishment for the community to restore our sanctuary.

Despite the unanticipated bombing at our church and the departure of our beloved Deacon, the Rev. Pat Ritchie, we nevertheless accomplished great work focusing on building up our lay pastoral care team (the Angels on Assignment), empowering lay leadership in outreach (the Common Mission Team), and growing our existing and new Christian formation groups (EfM and Episcobasics). It is a mark of pride that we faced unexpected adversities this year by growing closer to each other and the community around us.

While we have accomplished a great deal, we also know that we did not do as much work as we feel called to either in supporting Missional Community work in Lumberton nor getting to know our neighbors in the residential communities around us. This is something that we missed out on in 2018 but hope to focus on this more in 2019. In the year to come we also are excited to be the host congregation of Beaumont's Interfaith Lenten Preaching Series (featuring our very own Rev. Francene Young!) and to start providing Mental Health First Aid trainings to the churches, schools, and neighborhoods around us.

St. Stephen's Episcopal Church - Liberty

Two thousand eighteen has been a steady year for the Episcopal Church in Liberty, as we steadied our helm, focused on where we are and what we are doing right now to spread the love of Christ in the world around us. We have intentionally focused on the Word of God to guide us, providing morning and evening weekday Bible studies, as well as both adult and youth Sunday Christian formation classes, all well attended. Our Jr./Sr. High youth group is more active than ever, thanks to a pair of motivated and excited

adult leaders who are committed to helping our young people see and be the hands, feet and heart of Christ. We continue to offer three worship services, all distinctly Episcopal and prayer-book based, with differing music and styles to reach an increasingly diverse community. Our outreach ministries continue to be active in the community, partnering with other churches, social agencies, and local government to address the needs of the underserved among us. Bishop Suffragan Jeff Fisher visited us in August and we joyfully welcomed five new Episcopalians into our church family. One of the highlights of our year was when we applied and were accepted into The Holy Currencies Incubation Program, partnering with the Episcopal Health Foundation and the Kaleidoscope Institute, to teach us how to build innovative and sustainable wellness initiatives throughout our county. This is a dream many years in the making, and our carefully chosen and dedicated team of diverse backgrounds and expertise are laser-focused on making community-wide health and wellness a reality and a priority. With God's help, we will succeed!

St. Paul's Episcopal Church – Orange

We have had another wonderful year at St. Paul's. We are excited to report that we have fully recovered (almost) from the flooding caused by Hurricane Harvey and are now worshipping in a beautifully renovated sanctuary and breaking bread together in a newly remodeled parish hall! We are waiting on the arrival of our new organ which should be delivered and installed before Christmas. We are so grateful for generosity and support of the Diocese and for the generous financial contributions and prayers given to us by so many of the Episcopal Churches in our Diocese and across the nation. Because of that generosity, we were able to help so many people in our community that had been severely impacted by Hurricane Harvey and will continue to do so in the future. Although we continue in our outreach ministry at the City of Refuge which is a homeless veterans' shelter in Vinton, Louisiana's, we have expanded our mission work to include those affected by Hurricane Harvey. Members of our congregation continue to love to learn and equip themselves for lay ministry. Several of our parishioners have recently graduated or are currently attending Education for Ministry (EFM) and Miles Hall is attending the Iona School for Ministry in the Lay Preacher Track. In addition, we are in the process of meeting with community leaders in Port Arthur, Texas to determine how we can have a positive impact in that city.

St. Mark's Episcopal Church – Beaumont

The 2018 highlights for St. Mark's include shifting vestry elections from January's Annual Meeting to October in order to improve leadership transition; participating in the Diocese's pilot program for stewardship; continuing to assist parishioners and neighbors in the Golden Triangle with Harvey recovery; blessing shelter animals in the Humane Society of Southeast Texas in conjunction with the Feast of St. Francis; supporting the work of All Saints Episcopal School; hosting Yappy Hour and offering dog blessings in support of Dogtoberfest; preparing our Curate, the Rev. Justin Briggie, to become Rector at St. Phillip's – Palestine, serving up a record breaking annual Chili Supper and Bazaar (in a brand new beer garden) to benefit other non-profits in the Golden Triangle; and marking the retirement of Mr. Jerome Wells, organist – choirmaster, and the Rev. Byron Crocker.

Keith F. Giblin, Dean

SOUTHWEST CONVOCATION

Whereas last year was marked by ministries transitioning away from the convocation this year proved a welcomed season of new ministry and new life.

We were honored to welcome in the fold The Reverend Sharron Cox serving as Rector at St Mary's in West Columbia, The Reverend Nancy Wilkes, a newly ordained deacon, serving at Calvary Richmond, and The Reverend Susie Comer, called as Rector, serving at St. Mark's in Richmond, Texas. And as The Reverend Mark Crawford's tenure ends as Interim Rector at St Mark's Fort Bend, having delighted in him being in our midst we hope he will remain with us as he so desires.

There is much for which to be grateful; our efforts of living into the mission of Jesus Christ in our communities have produced meaningful fruit.

Christ Church under the leadership of The Reverend Stephen Spicer increased its already appreciated outreach to the Eagle Lake community delivering 5,344 meals in and around the Eagle Lake community- the Eagle Lake Summer Lunch Outreach being a very successful ecumenical effort on which Christ Church took a significant lead.

St Timothy's in Lake Jackson made a concerted effort to reach the surrounding neighborhoods, doing so multiple times by going door to door and inviting everyone they could to special services and events throughout the year. The Reverend Brendan Kimbrough also led a team of St. Timothy parishioners to Uganda sharing the message of Jesus Christ with a local mission organization caring for the medical and spiritual needs of several communities. The group returned changed by their experience, filled with awe that God would include them in His inspired work.

Holy Cross in Sugarland, Texas has embarked on a seven-year plan to expand their ministries and to live more fully into the vision and mission of the parish. This effort involves, among others, the youth and children ministries, the Invite, Welcome and Connect program. The Youth and Children ministries are actively involved in Spring and Fall Convergence series which has expended into a mid-week discipleship program. As well, The Reverend Scott Thompson passionately leads the efforts living into the Gospel by partnering with Free the Captives, YWAM (Youth With A Mission), Lord of the Streets & Voice of the Martyrs. And Holy Cross is reaping the benefits of such important work through deepening relationships with those ministry partners and among themselves.

Holy Comforter celebrated her Peach Street Farmers Market's first anniversary in August. The success of this first year propels us into the next phase of the mission effort. On any given Saturday the little parish welcomes 3 to 10 times the attendance on Sunday. By this new Saturday liturgy a parish and a community are being loved by God.

God is indeed loving us and guiding us to more creative ways of sharing His love and life in all the parishes in this lovely convocation. And I know we each intend to increase all our efforts in the next year.

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

Travis Smith, Dean

WEST HARRIS CONVOCATION

In the West Harris Convocation, the clergy have gathered several times in the last year. In December we gathered for Noonday Prayer and lunch at St. Martin's Episcopal Church as an introductory gathering as I began my role as dean. In March we gathered at Holy Spirit Episcopal Church for Noonday Prayer, lunch, and a guest speaker. In May we met up at the Lanier Theological Library for a tour of the chapel and library and shared lunch in their dining hall. In September Bishop Doyle and Bishop Monterroso joined us for Noonday prayer, lunch and discussion at Holy Spirit Episcopal Church. This has been a year of growth in our collegiality and mutual care and support and I continue to pray that God will bless the work of the Diocese in the West Harris Convocation.

Joshua Condon, Dean

CAMP ALLEN CONFERENCE AND RETREAT CENTER

Camp Allen had over 60,000 visitors last year including over 9,000 youth. This year had many significant accomplishments including hosting over 1400 events for churches, non-profits, families and universities. A record number of clergy attended the fall clergy conference at camp in October. Camp Allen employs 85 full time staff.

Camp Allen launched our 100 year anniversary campaign entitled the Centennial Fund. This fund encompasses 21 projects by the year 2021. The first 14 projects are now complete. The next large project is the residence/camper housing for Campsite 4. The campaign has pledges of \$9 million to date with a goal of \$12 million.

The Camp Allen budget for 2018 is \$6,500,000 with a net change in assets of \$260,000 before depreciation. The summer camp program continues to grow at a record pace of 1970 campers attending one of 24 sessions. The rate for a week of camp in 2019 is \$681. 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

2017 Audited Results

Revenues:

Conference Center Fees	\$3,355,119
Summer Camp Fees	1,027,619
Campsites and Cabins	417,221
Discovery Fees	722,115
Gift Shop Sales	151,530
Contribution/donations/events	708,919
Equestrian and other income	113,010

Total Revenues **\$6,495,533**

Expenses:

Conference Center	\$3,712,490
Summer Camp	1,226,667
Discovery	945,476
Campsite and cabins	350,178
Gift Shop	281,219
Equestrian expenses	158,721

Total Expenses: **\$6,559,241**

Net change before depreciation \$-63,708

George J. Dehan, President

CHAPLAINS TO THE RETIRED

Austin, Central and Northwest Convocations

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

The Western Region is home to about 95 retired clergy households (as of November 1, 2018). Of these households, 57 have retired from the Diocese of Texas and the other 37 households have retired from some other diocese.

The households consist of 68 folks who are retired priests and bishops and who have 58 spouses. We have 26 surviving spouses (all widows) in our group.

This is a large group of folks spread out over a large area and it is challenging to catch up with some of the flock. I so send a handwritten birthday card to everyone and sometimes get a phone call, card, or email in response.

I plan and organize an annual luncheon hosted by Bishop Harrison. Everyone receives a written invitation followed up via e-mail. About three dozen folks attended last year's luncheon (held at St. Michael's Austin) and lots of laughter and conversation was shared. The 2018 luncheon is planned for early November and 35 persons are expected to attend.

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

My main goal for 2019 is to try to improve communication with every person to make certain they are connected with a local parish (if they wish to be) and that those who cannot attend church receive Home Communion (if they wish) from that local parish. One of the recurring needs of our retired clergy and spouses is transportation to various events, including luncheons, clergy conference, Christmas parties, etc. and I am always looking for volunteers to help with this.

The Church Pension Group does a marvelous job of supporting chaplains, bringing us together from around the country for programs and conferences as well as supporting us with contact information for all retirees and always ready to help and support. In the past year I have attended the CPG conferences in Albuquerque, New Mexico, and most recently in Nebraska City, Nebraska. It is a privilege to serve with our other chaplains; all of us get support and encouragement from Bishop Fisher and his office, especially thank you to Kathy Dunn.

Janne Alrø Osborne, Chaplain

East Harris and West Harris Convocations

The ministry of Chaplains to the Retired Clergy and Families is a program of the Church Pension Group designed to provide support to the pastoral ministry of the bishops of the diocese to the retired clergy and families committed to their care. Chaplains in the Diocese of Texas minister to all retired clergy and families physically resident in the diocese regardless of their canonical residency. Most contact comes through birthday cards, where appropriate, significant wedding anniversary cards sent on behalf of the bishops. At our January meeting in Tyler with Bishop Fisher, it was decided that Bishop Fisher's office would send Ordination Anniversary Cards.

Meetings/Conferences Attended:

1. January 2018 Meeting in Tyler, TX with The Rt. Rev. Jeff Fisher and the other Diocese of Texas Chaplains (The Rev. Janne Osborne and the Very Rev. M.L. Agnew) to plan the May 2018 conference for Retired Clergy and Families to be held at Camp Allen
2. April 30- May 4, 2018 Province VII Enriching Your Retirement Conference in Galveston, TX. Presented by the Church Pension Group
3. May 7-9, 2018 Diocese of Texas Retired Clergy and Families Conference at Camp Allen
4. October 9-12, 2018 Provinces V, VI, VII Chaplains to the Retired Conference in Nebraska City, Nebraska. Presented by the Church Pension Group

Birthday Cards sent November 2017-October 2018: 170**Get Well/Condolence Cards sent: 2****Funerals attended: 4****Telephone Calls: 14****Pastoral Conversations: 5**

John R. Bentley, Jr., Chaplain
Pamela Z. Bentley, Chaplain

Galveston and Southwest Convocations

We were just appointed to the position of Chaplain to the Retired Clergy Families in the Galveston and Southwest convocations beginning on November 1 of this year. Since that time we have sent out 6 cards, visited one spouse and made one phone call. We look forward to serving the retired clergy as we move into 2019.

The time period for January - October should be covered in the report from The Rev. John & Pam Bentley who were responsible for those convocations through October of this year.

Nan Doerr, Chaplain
Samuel P. Doerr, Chaplain

COMMISSION ON SCHOOLS

The Canonical duty of the Commission on Schools is to “publish Standards for Episcopal Schools in this Diocese, give general supervision to all such schools, and perform such other functions regarding such schools as the Bishop may require.” The Standards for Schools are published in the Commission Handbook & Directory which is found via a link on the “About Our Schools” page of the Diocesan website. If you have trouble finding it just type “schools” in the search function at the top right of the home page.

This year the Commission began asking all schools not accredited (or in process of accreditation by) by the Southwestern Association of Episcopal Schools (SAES) to complete an Addendum on Episcopal Identity to submit with the regular Annual Report. On this form, school leaders were asked to confirm adherence to specific standards and to describe (with examples) the Episcopal nature of their schools. Some of our preschools

are accredited by secular agencies (such as the National Association for Education of Young Children) which specialize in early childhood education. And, our smallest schools are exempt from the Commission's accreditation requirement. The "Addendum" is intended to allow these schools to report on areas such as Episcopal governance, worship, and pastoral care which are not addressed by secular accrediting agencies, as well as to report on standards compliance in a more detailed manner.

In a Diocese as large as Texas, one can expect some leadership transitions each year. Among our schools, 9 new heads/directors were welcomed for the 2018-2019 academic year as follows:

Catherine Bohot, Calvary Episcopal, Bastrop
Sheila Abio, Good Shepherd Episcopal, Austin
Troy Roddy, Holy Trinity, Houston
Jerri King, St. Stephen's, Houston
Angie Ray, The Jordan School, Crockett
Becca Davis, St. Christopher's, Killeen
Karon Miller Hammond, St. Mark's, Austin
Colin O'Neal, St. Thomas the Apostle, Nassau Bay
Rachel Rhodes, St. James', Conroe

The Commission met in Houston at the Diocesan offices in early August. At the request of Diocesan executives, that meeting was devoted to the development of a "records discontinuance policy" to help schools, in turn, write local plans for how records would be handled in the event a school becomes permanently closed. This project caught the interest of The Rev. David Madison who graciously joined us for the meeting. (Father Madison serves as the executive director of SAES.) The draft of this policy has been forwarded to Canon Ryan and is currently under review.

This year we have 56 Episcopal Schools operating in the Diocese of Texas down from 58 last year. Of the 2 schools no longer in operation, Christ Church School, Temple, closed permanently and Emmanuel Episcopal School, Houston, was forced to cease operations temporarily as a delayed result of Hurricane Harvey devastation. This year our schools are serving 11,275 students or 38 fewer than last year. (Looking solely at enrollment in the 56 extant schools, enrollment is up by 37 students this year.) We have 31 schools that serve infants up to Kindergarten and 10 schools serving high schoolers. This leaves 15 schools with up to elementary or middle school grades. Episcopal schools in this Diocese currently employ 2,492 people, full and part-time.

David C. Dearman, Chair

Annual School Report Summary, 2018-2019
EDOT Schools Total Number of Students: 11,275

Schools by Highest Grade Level Program

Schools by Total Enrollment Groupings

Preschool/Kinder (may include infant-Kinder)	3 1	with < 50 students	7
Elementary (may include up to 5 th Grade)	5	with > than 50 students and < 300 students	39
Middle School (may include up to 8 th Grade)	1 0	with > 300 students	10
High School (may include up to 12 th Grade)	1 0		
Total Schools in the EDOT	5 6	Total Schools in the EDOT	56

Other Stats

Total Minority Enrollment: 2,995 (approx... 27%)	Total Number of Employees: 2,492
Students Receiving Financial Aid: 1,509 (approx.... 13%)	
Special Needs Students: 562	

Schools with Changed Status from 2017-2018:

Christ Church School, Temple: Closed Permanently
Emmanuel Episcopal School, Houston: Suspended Operations (Hurricane Harvey Recovery)

Location of Schools by City

Angleton	Holy Comforter
Austin	All Saints'
	Good Shepherd
	St. Andrew's
	St. David's
	St. George's
	St. Mark's
	St. Matthew's
	St. Michael's
	St. Stephen's
	Trinity
Bastrop	Calvary
Beaumont	All Saints'

Bellaire	Episcopal High
Bellville	St. Mary'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
	First Steps Montessori
	Grace
	Holy Spirit
	Holy Trinity
	St. Andrew's
	St. Christopher's
	St. Cuthbert's
	St. Francis'
	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
Lufkin	St. Cyprian's
Marshall	Trinity
Missouri City	St. Catherine of Sienna
Nacogdoches	Christ
Pearland	St. Andrew's Academy
Richmond	Calvary
	St. Mark's
Round Rock	St. Richard's
Sugar Land	Holy Cross
Temple	St. Francis'
The Woodlands	Trinity
Tyler	All Saints'
Waco	St. Paul's
Woodville	St. Paul's

David C. Dearman, Chair

ST. VINCENT'S EPISCOPAL HOUSE

The Gospel of Jesus Christ calls us to be agents of Hope and Transformation in the lives of the poor and underserved. Our mission is to provide essential services and resources to families and individuals' to become self-sustaining and contributing members of the community.

St. Vincent's House currently offers the following services to support and build stronger, healthier and more resilient communities:

Health and Wellness Services

- University of Texas Medical Branch (UTMB) partnership to provide Free and Reduced-fee for service for primary health care clinic services'
- Dental Services- UTMB partnership- Extractions' and preventative care
- Specialty Clinics' with UTMB Collaboration- Occupational Therapy/Physical Therapy
- Blindness Prevention Healthcare-collaborative
- Community Wide Health and Wellness Collaborative (Galveston County Health District, Coastal Health and Wellness etc.)
- Mental Health Services (Family Service Center partnership)

Community Health Partner Program Services

- SVH is a newly Certified Community Health Partner. Individuals can access online state benefits via a navigator/or benefits' specialist to assist them with the online application process for the following services: Supplemental Needs Assistance Program (SNAP), Temporary Assistance Needy Families (TANF), Children's Health Insurance Program (CHIP), Medicaid, Texas Healthy Women's and the Medicare assistance program.

Emergency and Financial Assistance Services- Direct Case Aid

- Food Pantry Assistance (in collaboration with the Galveston County Food Bank)
- Snack Packs for travelers'
- Hygiene Packs
- Rent and utility assistance (for homeless prevention)

Comprehensive Case Management Services

- Case Management-provides assessments for financial assistance as well as referrals to access available social service resources' that allow St Vincent's House clients to move towards self-sufficiency. The Case Manager also provides individuals with an individual self-sufficiency plan (ISSP) to support and promote progress towards a healthier and independent lifestyle.
- Case Management also offers Financial Literacy Classes utilizing the Money Talks Curriculum- to provide educational supports to individuals for sustaining a more self-sufficient lifestyle.

Transportation Services

- SVH provides transportation on the island, at no cost to those individuals' who need to access the grocery store, physician appointments, pharmacy and other essential services.

Spiritual Support Services

- Morning Prayer (Daily)
- Holy Communion (Fridays at noon)
- Pastoral Counseling

Community Garden

- Volunteer(s) at St. Vincent's House Community Garden, gather for fellowship to grow and harvest fresh vegetables' and fruits'

St. Vincent's House welcomes community partnerships that foster growth, support education, healthcare, and other essential services for the families and individuals' who thrive to experience a transformational change in their lives.

Lisa Odom, Executive Director

FINANCIAL CATEGORY SUMMARY* REPORT

*Summary by Categories Only

Organization Name: ST. VINCENT'S EPISCOPAL HOUSE

2017		2018	
Income		Income	
Total 4010 Affiliated Organizations	<u>\$207,000.00</u>	Total 4010 Affiliated Organizations	<u>\$ 285,000.00</u>
Total 4030 Foundations	<u>\$243,000.00</u>	Total 4030 Foundations	<u>\$ 171,500.00</u>
Total 4050 Grants	<u>\$128,000.00</u>	Total 4050 Grants	<u>\$ 91,764.00</u>
Total Income	<u>\$628,544.00</u>	Total Income	<u>\$1,412,068.00</u>
Expenses		Gross Profit	<u>\$1,412,068.00</u>
Total Employee Payroll, Benefits, & Taxes	<u>354,032.00</u>	Expenses	
Total Operating Fees	<u>277,514.00</u>	Total Employee Payroll, Benefits, & Taxes	<u>363,289.00</u>
Total 5270 Emergency Assistance/Direct Aid	<u>\$150,000.00</u>	Total Operating Expenses	<u>189,269.00</u>
Total Expenses	<u>\$628,546.00</u>	Total Expenses	<u>\$1,357,358.00</u>

Lisa Odom, Executive Director

SEMINARY OF THE SOUTHWEST

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

The following core values describe what Seminary of the Southwest stands for and believes in.

- Hospitality: creating a common life that welcomes difference and ensures that all voices are heard
- Mutuality: nurturing a collaborative environment that promotes mutual inquiry and accountability
- Respect: cultivating the virtues of patience, justice, and charity, so as to affirm the dignity of every member of the community
- Rootedness: embodying the richness of the Episcopal and Anglican traditions in particular contexts, especially that of the American Southwest and its Hispanic cultures

- Celebration: glorifying and enjoying God in worship, prayer, study, service, and fellowship, so as to create a community of gratitude and gift
- Conversation: listening to and critically engaging a variety of cultural and religious voices in order to commend the Christian tradition and discover fresh wisdom

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

In the summer of 2018, Cynthia Briggs Kittredge began her sixth year as dean and president on sabbatical. Dean Kittredge appointed Dr. Scott Bader-Saye, the seminary Academic Dean, as Acting Dean and President in her absence. The focus of the seminary's leadership is the formation of Christian leaders in community for the vitality of the church and to advance God's mission of reconciliation. Dean Kittredge 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, Dean Kittredge continues to form students at Southwest in creative and faithful approaches to biblical studies, early Christian history, Greek reading, and the embodied practice of liturgical leadership. Dean Kittredge is the eighth dean and president of Seminary of the Southwest. She was appointed in 2013 after serving on the faculty as the Ernest J. Villavaso, Jr. Professor of New Testament and as academic dean.

The seminary offers the following degrees and diplomas:

- Master of Divinity
- Master of Arts in Religion
- Master of Arts in Chaplaincy & Pastoral Counseling
- Master of Arts in Clinical Mental Health Counseling
- Master of Arts in Spiritual Formation
- Diploma in Anglican Studies

A total of 123 students enrolled at Seminary of the Southwest for Fall 2018. The 46 ordination track students are from the following dioceses: Alabama, Arizona, Atlanta, Central Florida, Hawaii, Long Island, Milwaukee, Mississippi, New Jersey, Northern California, Olympia, Ohio, Oklahoma, South Carolina, Southern Ohio, Spokane, Texas, Vermont, Virginia, West Missouri, West Texas, and Western Michigan

Eighty-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 eighteen highly qualified, Christian scholars who hold faculty positions in Old and New Testament, Church History, Christian Theology, Christian Ethics and Moral Theology, Liturgics and Anglican Studies, Preaching, Church Music, Pastoral Theology, Spirituality, Theology and Arts, Leadership Formation and Vocational Pedagogy, Counselor Education, and Latino/Hispanic Studies. The Faculty includes five administrators, the Very Rev. Cynthia Briggs Kittredge, dean and president; Dr. Scott Bader-Saye, academic dean; the Rev. Dave Scheider, director of the Loise Henderson Wessendorff Center for Christian Ministry and Vocation; the Rev. John Lewis, director of formational outreach; and Dr. Claire Colombo, director of the center for writing and creative expression. Additionally, over 12 professionals from the Austin and San Antonio areas teach adjunct in the Center.

During 2018 the non-degree programs at Seminary of the Southwest were reorganized and renamed. They became the Iona Center at Seminary of the Southwest, comprised of six areas: Iona Collaborative; CPE (Clinical Pastoral Education); Spiritual Care Education; Continuing Education; Discipleship Formation; and Vocational Discernment. John Lewis is

Director of the Iona Center and the Iona Collaborative, as well as supervising the work of Iona Center representatives Sarah Knoll Sweeney (Director of CPE and Spiritual Care Education) and Rebecca Hall (Director of Continuing Education and Discipleship Formation). The Iona Collaborative now includes 24 active dioceses plus three new dioceses starting in the 2019-20 academic year (total network: 27 dioceses). Iona Collaborative now has 190 students nationwide and 92 graduates. Seminary faculty members continue to record video teaching courses for the Iona Collaborative curricula. Seminary of the Southwest recently received a \$1M, five-year grant from Lilly Endowment, Inc. to establish the Iona Center's *Thriving in Bi-Vocational Ministry* project - a continuing education program for new and recently ordained bi-vocational clergy trained locally through the Iona Collaborative, Iona School for Ministry, and Bishop Kemper School for Ministry. Lewis will serve as overall Project Director and Knoll Sweeney and Hall will play major leadership and teaching roles in the program. Following provisional accreditation of the seminary as a CPE Center, Knoll Sweeney has completed two courses of accredited CPE; two courses of pastoral care education for Dioceses of Wyoming and Hawaii; is currently presenting one course of accredited CPE for Dioceses of Connecticut and Western Massachusetts, as well as two courses of pastoral care training for youth ministers and Christian educators from across the country; and is coordinating field education and teaching colloquies for Middler and Senior seminarians, along with teaching a new colloquy for Junior seminarians preparing for field education. Hall successfully planned four on-campus continuing education courses for clergy, counselors, and lay disciples, as well as planning creation of a Discipleship Formation curricula for Iona Collaborative dioceses and congregations set to launch in 2019.

The Seminary's financial condition and operating results improved meaningfully during fiscal year 2018. On a consolidated funds basis, the Seminary's audited financial statements reflect a positive surplus of \$6.65 million or 46.4% of total revenues of \$14.3 million. Unrestricted net assets increased \$3.48 million. The statement of cash flows reports \$1.62 million in positive cash flow from operating activities and a reduction of \$104,864 in notes payable. This year's resulting debt-to-assets ratio is 10.5%.

Oil and gas royalties of \$1.55 million contributed to positive financial results. Departments carefully managed their spending, coming in \$145,800 under budget. Prior to a non-cash charge of \$273,978 for depreciation expense, the general operating fund produced a net increase of \$932,858, as reported in the internal statement of budgeted financial activities. Actual contributions to the Capital Campaign totaled \$1.59 million; friends of the Seminary pledged approximately \$5.3 million to the campaign through fiscal year end.

The investment portfolio gained approximately 7%; endowment fund distributions were below this level. The seminary's portfolio increased by 8.1% over the past three years, in line with similarly situated institutional endowments in higher education, slightly exceeding our Investment Policy Statement's stated return objective of 8%.

Although this year's surplus represents an unusually high water mark, ongoing revenue pressures at the Seminary — as in the vast majority of public and private institutions of higher education in the U.S. — remain in our foreseeable future. The Seminary's \$6.15 million bank-financed debt remains a concern to the administration. Although we benefit from a historically low interest rate environment, the Fed raised its benchmark interest rate for the third time in 2018, thus increasing our cost of debt service. In collaboration with the Investment and Finance Committee, the administration shall develop a long-term debt reduction plan to be laid before the board later this fiscal year. The Seminary's independent external auditors presented unqualified/unmodified opinions on our fiscal year end 2018 annual audit and annual federal student aid audit and there were no material weaknesses or deficiencies in internal control observed in their audits.

The Seminary's continuing excellence in formation and training is among our highest priorities. It is made possible through the generous philanthropy of our many friends, past

and present, whose relationship with the Seminary is a legacy nurtured by our excellent team in Institutional Advancement and is a tribute to our Dean and President's and board's leadership. Particular thanks go to all who give generously and sacrificially to the mission of Seminary of the Southwest.

The Clinical Mental Health Counseling (MHC) program offers a 63-hour degree designed for students seeking graduate-level instruction in professional counseling that prepares the student to pass the Texas state LPC qualifying exam and provides an opportunity to integrate professional counseling competencies with spiritual, religious and ethical values. All MHC courses address the knowledge, skills, and dispositions required for competent professional counseling practice in a diversity of settings. The four courses in spiritual integration provide additional Biblical, theological, historical, and ethical foundation for integrating spiritual, ethical, religious and multicultural competency with counseling theories and techniques.

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

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

The goal of the Harrison Fellows Program is for Master of Arts in Clinical Mental Health Counseling (MHC) graduates from the Seminary of the Southwest to enter disadvantaged populations within the Diocese of Texas designated as underserved in regards to mental health services to offer counseling services as a Licensed Professional Counselor intern (LPC-intern). The program aspires to place faithful, imaginative, and highly-educated mental health care workers in underserved counties throughout the Diocese of Texas to expand the seminary's commitment of service to all people regardless of demographics and with an emphasis on providing for those with the greatest need. Currently, the two most recent Harrison Fellows just completed their fellowships at Burke, which provides mental health services in 12 counties in East Texas, and have accepted full-time employment offers there to work as fully-licensed counselors. The next two Harrison Fellows began their LPC-internships at Burke in 2018 and an additional six Fellows are projected to begin work at Burke in 2019. With the multi-year financial commitment from the Episcopal Health Foundation, the seminary plans to build an innovative national model program that will produce exceptionally trained counselors who can begin to serve as soon as they graduate.

In April 2018 The Henderson-Wessendorff Foundation approved an endowment to fund the Loise Henderson Wessendorff Chair for Spiritual Integration in Counseling. Dr. Awa Jangha, a full-time counseling faculty member since her hiring in 2016, has been named the Loise Henderson Wessendorff Assistant Professor of Spiritual Integration in Counseling. Dr. Jangha will direct the spiritual integration in counseling program as well as the Spiritual Integration in Counseling Scholars (SIC) program.

One of the goals of the spiritual integration in counseling program is to propel Seminary of the Southwest into a position of leadership in the spiritual integration in counseling field in Texas, and eventually nationwide. Due to our current and historical focus of integrating spirituality and psychology in the counseling program, Seminary of the Southwest is uniquely positioned to develop methods to further implement spiritual integration skills into a counseling degree.

The second goal relates to teaching the teachers. Historically in the counseling field, matters of spirituality have been left to religious leaders, chaplains, and pastoral counselors—individuals not specifically trained to address matters of mental health and spirituality from the client's perspective. While spirituality is now recognized as an important factor to address in counseling, many experienced clinicians are not trained to do so and, unfortunately, these same clinicians have primarily taught and supervised students in counselor education programs. This grant will allow the Center to devote considerable time and effort to researching, understanding, and creating teaching methods for this important integration.

The Latino/Hispanic Counseling Concentration (LHCC) emerged from the need to bridge the gap for Latinos/Hispanic to access mental health care. Currently, 10.4 million of Latinos living in the U.S. reside in Texas (Pew Research Center, 2016); Latinos comprise 38.6% of state population, compared to the national average of 17.3% (Pew Research Center, 2016). Although the U.S. and the state of Texas are diverse, there is still a disparity for Latinos/Hispanic receiving mental health service. According to the 2010 National Healthcare Disparities Report, Non-Hispanic Whites received mental health treatment two times more often than Hispanics (U.S. Department of Health and Human Services Office of Minority Health, 2010). This number indicates a need for the counseling profession to focus its efforts on working with this population and more importantly, from our point of view, within the state of Texas due to the large population of this group and the state's proximity to Mexico.

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

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

The MCPC degree is a challenge for recruiting the required five students per year so the degree is currently being assessed through spring 2019 to determine if it should be continued. If the MCPC degree is canceled, the seminary will fulfill our commitment to the current students to complete their degree requirements. If the seminary cancels the degree, the recommendation will be to offer a health care chaplain concentration for the MDiv. The seminary currently offers a health care concentration in the Master of Arts in Spiritual Direction and Formation (MSF) degree to train lay chaplains who prefer not to become board certified chaplains. A health care chaplain concentration in the MDiv. will meet the academic

requirements for becoming a board certified chaplain in the APC.

The Master of Arts in Spiritual Direction and Formation (MSF) is a 48-hour degree that engages the theology and practice of Christian spirituality and spiritual direction. The MSF is designed for students who wish to explore the spiritual tradition of the Christian path as well as for lay and ordained ministers seeking to develop skills in spiritual direction.

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

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

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

Institutional Advancement (IA) had a year with many positive accomplishments, including raising over \$9 million dollars, one of the strongest fundraising years in the Seminary's history. The teamwork across campus with the dean leading the efforts was extraordinary. Staff, faculty, students, alumni, trustees, committee members, and many friends contributed their time, talent, and treasure. The priorities of IA are guided by the SSW 2017-2020 Strategic Plan, and the department is poised to achieve its goals going forward.

This annual campaign provides essential financial support to our annual operations. Southwest Annual Fund is positioned for sustainability with strong performances each year. The focus this year will be to strengthen donor retention, grow the donor pipeline, and increase total dollars while ensuring broad based support at each level of giving. We continue to see an uptick in giving and are pacing well to finish strong at by the end-of-the-fiscal-year.

Work on major donor cultivation is ongoing and is led by IA Interim VP Wally Moore. Our efforts here include each member of the IA staff, Dean & President Kittredge and Acting Dean & President Bader-Saye and members of the seminary's Board of Trustees. We are continually stewarding existing major donor relationships as well as developing new relationships for both annual fund and endowed giving.

In November, the seminary welcomed back 40 alumni from across the country for the 51st anniversary of the Blandy Lectures and Alumni Convocation. The seminary was honored to have Mr. Ray Suarez as the featured lecturer for the three-day gathering. This year, alumni and local clergy were able to pick between a wide range of continuing education topics, including sessions on Gender and Sexuality in the 21st Century and Navigating Difficult Conversations in a Polarized World. In addition to more robust session topics, we also increased the number of sessions offered over the three-day convocation and provided more opportunities for alumni, faculty, and students to connect. We received positive feedback from the attendees about the offerings and will use this to plan for the 2019 Blandy Lecture and Alumni Convocation.

IA has made a concerted effort to visit with alumni across the country in order to continue building robust relationships. This year the focus has been cultivating relationships with alumni and engaging them in conversation about how the seminary can best serve them, their parish, their diocese, and their ministry. IA has also worked to recruit a diversity of graduates in varying stages of their ministry to serve as volunteers on the Alumni Steering Committee or on other projects.

The Monday Connection luncheon speaker series now in its twenty fifth year has a primary goal of enhance community awareness of Southwest. The program's host committee selects outside speakers to discuss how faith has influenced their work. Recently Dr. Bobby Chesney, Associate Dean at the University of Texas School of Law, spoke about a wide variety of national security issues and the ways he incorporates his faith into this work. We look forward to Astronaut Charles Duke as our next speaker.

The John Hines Legacy Society is an important and growing group that consists of friends who have made a gift provision for Southwest in their estate plans. The annual impact of these estate gifts to Seminary of the Southwest is significant. Seminary of the Southwest celebrates the life and legacy of our founder Bishop Hines each October with a celebratory Eucharist and luncheon.

The Office of Institutional Advancement has had some staff turnover and reassignment this year. We are pleased to have Donna Benson join us in the role of Manager of Development Services, Nikki Randolph as Development Associate, Katherine Bailey Brown as Director of Annual Giving and Alumni Relations, and Wally Moore, serves as Interim VP, Institutional Advancement. Amidst these staffing changes, all of the scheduled fall projects have been executed. The Office of Institutional Advancement will continue to produce targeted multi-channel solicitations, increase the number of personalized individual solicitations, and enhance the donor relations and donor retention efforts.

Seminary of the Southwest is accredited by The Southern Association of Colleges and Schools Commission on Colleges and the Commission on Accrediting of the Association of Theological Schools of the United States and Canada. The seminary is also accredited by the Council for Accreditation of Counseling & Related Educational Programs for our Master of Arts in Clinical Mental Health Counseling degree.

An outstanding Board of Trustees chaired by the Rt. Rev. C. Andrew Doyle, bishop, Diocese of Texas, leads the seminary. Other trustees include Clarke Heidrick, executive chair, Diocese of Texas; The Very Rev. Barkley Thompson, Treasurer, Diocese of Texas; Dr. Dan Joslyn-Siemiatkoski, faculty representative (non-voting member), Seminary of the Southwest; John Castle, Diocese of Dallas; John Clanton, Diocese of Texas; John E. Culmer, Diocese of Texas; The Rev. Bob Dannals, PhD, Diocese of Dallas; Suzan Fenner, Diocese of Dallas; Josephine Hicks, Diocese of North Carolina; Shannon Hunter, Diocese of Texas; 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; Kurt Lyn, Diocese of Texas; The Rt. Rev. James "Jay" Magness, Diocese of Southern Virginia; The Rev. Harrison McLeod, Diocese of Upper South Carolina; The Rev. Patrick Miller, Diocese of Texas; The Rev. Alex Montes Vela, Diocese of Texas; Liza W. Philpy, Diocese of West Texas; The Rev. Canon Kathryn "Kai" Ryan, Diocese of Texas; Timothy Saunders, Diocese of Connecticut; The Rt. Rev. Brian Seage, Diocese of Mississippi; The Rt. Rev. John Smylie, Diocese of Wyoming; The Very Rev. Chadwick Vaughn, Rebecca Watts, student representative, Seminary of the Southwest; Diocese of Atlanta; Kathleen Wells, Diocese of Ft. Worth; and Lesley Wilder, Corporation Secretary (non-voting member), Seminary of the Southwest.

Details about the seminary's programs, faculty and news can be found at <http://www.ssw.edu>.

Cynthia Briggs Kittredge, Dean and President

FINANCIAL CATEGORY SUMMARY REPORT

Organization Name: **The Episcopal Theological Seminary of the Southwest**

FYE 2017 STATEMENT OF FINANCIAL POSITION ASSETS

Current	40,460,247
Non-current	<u>13,737,785</u>
Total Assets	54,198,032

LIABILITIES AND NET ASSETS

LIABILITIES

Current	642,270
Non-current	<u>6,254,863</u>
Total Liabilities	6,897,133

NET ASSETS

Unrestricted	4,860,730
Temporarily restricted	16,681,482
Permanently restricted	<u>25,758,687</u>
Total Net Assets	47,300,89

Total Liabilities and Net Assets 54,198,032

FYE 2017 STATEMENT OF FINANCIAL ACTIVITIES

Revenues 8,891,918

Expenses

Program	5,170,847
Administrative	952,524
Fundraising	<u>680,375</u>
Total Expenses	6,803,746

Change in Net Assets 2,088,172

FYE 2018 STATEMENT OF FINANCIAL POSITION ASSETS

Current	44,549,268
Non-current	<u>18,357,385</u>
Total Assets	62,906,653

LIABILITIES AND NET ASSETS

LIABILITIES

Current	376,319
Non-current	<u>6,150,000</u>
Total Liabilities	6,526,319

NET ASSETS

Unrestricted	10,769,819
Temporarily restricted	18,423,123
Permanently restricted	<u>27,187,392</u>
Total Net Assets	56,380,334

Total Liabilities and Net Assets 62,906,653

FYE 2018 STATEMENT OF FINANCIAL ACTIVITIES

Revenues 14,334,008

Expenses

Program	5,111,615
Administrative	1,211,016
Fundraising	<u>1,273,599</u>
Total Expenses	7,596,230

Change in Net Assets 6,737,778

Cynthia Briggs Kittredge, Dean and President

EPISCOPAL HIGH SCHOOL

Founded in 1983 by a group of Houston business and Episcopal Church leaders as an institution of the Diocese of Texas, Episcopal High School is an intellectual and spiritual community committed to educating the minds and hearts of students. Through the Four Pillars – academics, arts, athletics, and religion – EHS encourages critical

thinking, intellectual risk-taking, responsibility for one's own actions, personal integrity, ethical awareness, respect for diversity, and individual leadership.

For 35 years, the School has responded to the needs and capabilities of each student, providing opportunities for growth and achievement in a Christian community that reflects the beliefs and traditions of the Episcopal Church. The School admits students of all races, colors, and national/ethnic origins to all the rights, privileges, programs, and activities accorded or made available to its students. The School does not discriminate on the basis of race, color, or national/ethnic origin in the administration of its educational admission policies, scholarship and loan programs, or athletic and other school-administered programs.

Accredited by the Independent Schools Association of the Southwest, EHS also holds memberships in the National Association of Independent Schools, the National Association of Episcopal Schools, the Council for the Advancement and Support of Education, the Educational Records Bureau, the College Board, the National Association for College Admission Counseling, the Texas Association for College Admission Counseling, and the Southwest Preparatory Conference.

Under the leadership of Head of School Ned Smith, EHS is in its 35th year of operation with an enrollment of 731 young men and women from 73 zip codes across the Greater Houston Metropolitan Area. To reflect the community that the school serves, EHS strives to maintain a student body which represents social, economic, ethnic and academic diversity. In 2018-19 school year, we matriculated 216 new students who represent 60 different feeder schools. Approximately 16% of the students receive support from the generous Financial Aid Program. Roughly 24% of our students self-identify as students of color and 19% of our students are Episcopalians.

The School's faculty represents diversity in age, experience, and ethnicity. The student-to-faculty ratio is roughly 15 to 1 and 61% of our faculty hold advanced degrees.

After years of fundraising and building, the School has established a premier campus that harmoniously reflects its academic, artistic, athletic, and religious programs. In the 2017-18 school year, generous gifts from parents, trustees, alumni, alumni parents, grandparents, friends, and foundations raised over \$2.3 million to support the School's \$25.4 million budget. The endowment fund ended the fiscal year with a market value of \$36.4 million.

Members of the Class of 2018 were offered more than \$17 million in scholarships based on their academic, artistic, and athletic accomplishments. The students were accepted to over 197 colleges and universities and are attending 75 different schools. Of the Class of 2018, 52% are attending private schools and 46% are attending schools in Texas.

These graduates join over 4,300 other EHS alumni spread across the country. The EHS Alumni Association, led by a directors' council, continues to coordinate class reunions, renew friendships, and participate in fundraising activities for the School. Currently, six alumni are on staff at the School.

The religious program includes daily chapel overseen by the Rev. Beth Holden as well as a number of special services (Founders Day, Grandparents Day, Advent Chapel, Ash Wednesday, Holy Week, and monthly Eucharists). Students of all religions and faiths attended the services. The vast majority of students served the community after school and on weekends by participating in service projects through the Nehemiah Center, the

Houston Arboretum, Challenger Football and Basketball, the Race for the Cure, and many other social service agencies.

The athletic pillar thrived as more than 85% of students participated in one or more sports. In 2017-18, boys' soccer and baseball as well as girls' volleyball and softball brought home four SPC championship titles for EHS, capping off another excellent year of performance for student athletes.

The EHS arts pillar also experienced a year of success. EHS continued its outreach to our community by hosting the Ballet Hispanico, the Houston Ebony Opera Guild, Classical Minds Guitar Festival and more. In addition, we invited our neighboring schools to see performances such as *The Legends of Sleepy Hollow*, *Radium Girls*, and *Into the Woods*, as well as our dance concerts.

Currently in a master plan campaign, Episcopal High School has completed the Hildebrand Athletic Center opened in August 2017 and the new Underwood Student Center which will be blessed by Bishop Doyle on October 17, 2018. We are actively raising funds for the remaining three items on our campus master plan: a new performing and visual arts building, a new Benitez Chapel and renovated athletic fields and track. EHS is looking forward to these exciting improvements to the campus which will help our facilities reach the level of excellence that the school's Mission warrants. Great things continue to be ahead with God's help.

Peggy Haney, Director of Advancement

FINANCIAL CATEGORY SUMMARY REPORT

Organization Name: **Episcopal High School**

	17-18 Final Budget	18-19 Final Budget
REVENUE		
Tuition & Fees	\$20,028,000	\$21,324,000
Annual Giving	\$2,325,000	\$2,365,000
Endowment Distribution	\$925,000	\$966,000
Other Income	\$200,000	\$300,000
Auxiliary Services	<u>1,931,000</u>	<u>2,011,000</u>
Total Revenue	\$25,409,000	\$26,966,000
EXPENSES		
Compensation	\$11,998,000	\$12,518,000
Benefits	<u>\$3,407,000</u>	<u>\$3,588,000</u>

Compensation and Benefits	\$15,405,000	\$16,106,000
Instructional	\$1,372,000	\$1,501,000
Plant Maintenance	\$2,404,000	\$2,564,000
Transfer to PPRRSM	\$410,000	\$420,000
Auxiliary Services	\$1,287,000	\$1,432,000
General and Administrative	\$1,774,000	\$1,895,000
Financial Aid	\$2,541,000	\$2,697,000
Tuition Remission	\$257,000	\$351,000

Total Expense	25,450,000	26,966,000
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Surplus (Deficit)	(\$41,000)	\$0
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Capital Expenditures	\$410,000	\$1,704,000
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Peggy Haney, Director of Advancement

ST. STEPHEN'S EPISCOPAL SCHOOL

St. Stephen's Episcopal School, a coeducational boarding and day school for students in grades 6-12, is a caring and diverse community, grounded in the Christian tradition that nurtures moral growth and values the potential and dignity of every human being. The school challenges motivated students to live intelligently, creatively and humanely as contributing members of society, developing the whole person by providing rigorous academic preparation, stimulating physical activities, and rich opportunities in the fine arts.

The school continues to benefit from the leadership of Christopher Gunnin, the twelfth head of school. Under Chris' leadership, St. Stephen's has begun implementing an ambitious, five-year strategic plan, Spark2023, with approximately 60 strategic initiatives. Each initiative is in support of one or more of the plan's three goals: strengthening our community through faithfulness to our mission, balancing the student living and learning experience, and making a difference from The Hill to the world. Administration continues to focus on addressing the ISAS/SAES visiting committee's summary recommendations with particular emphasis on programs and curriculum. The school is committed to exploring ways in which we can become a more welcoming and inclusive community for all students and provide an education that is relevant and successful in positioning graduates to be leaders in the 21st century.

Bishop Hines' founding vision of a talented and diverse student population is alive and well at St. Stephen's. The total enrollment of the school for 2018-19 is 697. Our 179

boarding students represent 9 states, 26 cities in Texas, and 14 foreign countries, bringing an unmatched diversity of race, ethnicity, and religion to our campus. Our 518 day students (197 in Middle School and 321 in Upper School) are from 35 different zip codes in the Austin area. Students of color represent approximately 37 percent of the enrollment, and approximately 48 percent when including international students. \$3.99 million in need-based, financial assistance was awarded to 128 students (18 percent of the student body). St. Stephen's admissions and enrollment trends are extraordinarily strong allowing the school to meet our strategic enrollment goals with well-qualified, mission-appropriate candidates. Retention of current students is also very strong compared to national norms, indicating student and parent satisfaction with the school.

Once again, we opened the 2018-19 school year on sound financial footing, having now balanced the operating budget for 14 years in a row. We closed out the 2017-18 school year by resolving all outstanding debt, reaching a \$1 million cash liquidity goal, and receiving over \$1.4 million in gifts to the school's operating budget and an additional \$424,760 released for Emerging Scholars financial aid. Annual Fund giving remains healthy and strong with record participation numbers across constituencies.

At the conclusion of the school's last capital campaign, the Trustees directed the school to raise funds for the school's endowment. The school received its largest gift to date, \$5 million from the Still Water Foundation, for the endowment. The focused, endowment fundraising initiative has yielded \$10.4 million to date. Over the last 10-year period, the Endowment Corporation has distributed over \$4 million to the school at an annual average of \$400,000. As of July 31, 2018, all assets of the Endowment, including pledges owed to the endowment, total \$23.6 million compared to the July 31, 2007, value of almost \$8.6 million—an amount that has almost tripled over the last 11 years.

The Chapel program is at the center of the St. Stephen's campus and experience, and it provides significant opportunities for spiritual formation as well as student participation and leadership. Daily Chapel services include worship from the Episcopal tradition and an effort to celebrate our God-given diversity. On most days, prayers are offered, hymns are sung, and Holy Scripture is read with an intentional commitment to apply lessons to the school community and the larger world. On Sundays, the community worships together in the morning and a contemplative Eucharist service is offered in the evening.

The impact of spiritual development at St. Stephen's is evident in the commitment of our students to service to their community and around the world. Our students expended more than 10,000 hours of service to non-profit organizations this past year, including volunteer work with such organizations as Any Baby Can, El Buen Samaritano Episcopal Mission, Mobile Loaves and Fishes, and the tutoring and mentoring of students in the Breakthrough Program. Students are also engaged in global outreach, the best examples of which are service performed in India each spring, in Nicaragua every summer, and the school's continuing partnership with St. Etienne, an Episcopal school in Haiti. Faculty and student leaders in each division continue to work to focus service learning efforts on more quality projects that enable students to engage in meaningful service and reflect on their experience. In some cases, this has meant reducing the total number of hours, but enhancing the specific projects, so that students not only serve, but

learn about societal issues and innovative solutions in the process.

The school continues to furnish its students with outstanding academic preparation. Last year, its students' mean SAT scores equaled 1,380 (680 Evidence-Based Reading and Writing and 700 Math), and the average ACT composite score was 30. The 111 graduating seniors enrolled at 64 different colleges and universities, and 17 percent of the school's graduating seniors were recognized as National Merit Semi-Finalists, National Hispanic Scholars, or National Merit Commended students.

The 2018-19 school year is off to a great start, and we are optimistic about the future of St. Stephen's Episcopal School as it works to produce graduates who possess sharp minds, humble and serving hearts, and strong spirits.

Elizabeth C. Ozmun, Executive Chair

FINANCIAL CATEGORY SUMMARY* REPORT

*Summary by Categories Only

Organization Name: St. Stephen's Episcopal School – Austin, Texas

	2017-18	2016-17
REVENUES		
Earned Revenue	\$ 27,973,916	\$ 27,652,030
Gift Revenue	\$ 7,688,934	\$ 2,280,786
Gross Revenues	\$ 35,662,850	\$ 29,932,816
Total Financial Aid & Remission	\$ (3,845,472)	\$ (3,378,918)
NET REVENUE (NET OF FINANCIAL AID)	\$ 31,817,378	\$ 26,553,898
EXPENSES		
Total Instructional	\$ 12,692,412	\$ 11,373,716
Total Plant	\$ 3,250,234	\$ 2,984,832
Auxiliary Services	\$ 2,555,706	\$ 2,372,765
General institution	\$ 5,593,981	\$ 5,683,151
Depreciation	\$ 2,076,670	\$ 2,055,427
Interest Expense	\$ 2,822	\$ 20,996
Total operating Expenses	\$ 26,171,825	\$ 24,490,887
Extraordinary items	\$ -	\$ -
EXPENSES NET OF EXTRAORDINARY	\$ 26,171,825	\$ 24,490,887
CHANGE IN NET ASSETS	\$ 5,645,553	\$ 2,063,011

*Fiscal Year runs from August 1 to July 31

Elizabeth C. Ozmun, Executive Chair

EL BUEN SAMARITANO

El Buen Samaritano Episcopal Mission finished its 31st year of answering the call to serve the Latino community with health, spiritual and wellness programs. We are grateful to our supporters and the Diocese of Texas who have helped create ladders of opportunity for families in Central Texas. Together, we are building healthy, resilient and vibrant communities by addressing the physical, social and emotional well-being of families.

We are most grateful to the Episcopal Foundation of Texas and the Episcopal Health Foundation for helping build our capacity during the past 31 years. During that time, we have become a premier provider of quality health and wellness programs that are culturally appropriate and effective to more than 12,789 Latino families.

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

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

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

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

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

Many families do not have access to the education and resources necessary to get ahead, and the barriers they face are intergenerational. Our family literacy

programs help families overcome many of those barriers to success. Raising literacy for these families increases the wellness of the whole community. Of the nearly 700 students we served last year, more than half work either full or part-time. El Buen's comprehensive family literacy classes empower and strengthen an entire family's ability to improve their physical, emotional and financial well-being. In addition to English as a Second Language, students can also improve their digital (computer) literacy and work with a job coach to establish and meet education and career goals. For elementary and middle-school students, we offer year-round tutoring and a summer camp.

Highlights of our impact in 2017-2018 include:

Improving Health: Provided care to 6,030 patients

- 20,188 medical visits
- 3,257 behavioral health visits

Creating Opportunities: Provided educational opportunities to 683 adults and youth

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

Fostering Community: Provided food and nutrition assistance to 1,400 households, serving total of 4,957 individuals.

Strengthening Families: Provided health education classes to 525 participants

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

A final note. Impending changes in healthcare policy and funding threaten our viability. Due to recent legislative changes, the past year has presented challenges for the immigrant and Latino community. A significant number of our patients and students have expressed fear and anxiety for themselves and their families. The safety and wellbeing of vulnerable families is embedded in El Buen's mission; they rely on us. With the prayers and support of our diocesan partners, we will continue to honor their trust in us.

Thank you for standing together!

Karen Langley, Director of Development

FINANCIAL CATEGORY SUMMARY* REPORT

*Summary by Categories Only

Organization Name: El Buen Samaritano Episcopal Mission

Financial Category	2017	2018
Revenues and gains:		
Grants and contributions	\$ 3,339,151	\$ 3,920,691
Government grants and contracts	2,882,776	2,310,738
Patient fees	570,870	544,704
Return on investments	186,390	149,691
30th Anniversary gala	97,446	-
Other revenues	93,721	76,199
Total revenues and gains	7,170,354	7,002,023
Expenses and losses:		
Payroll and benefits	4,645,502	4,578,035
Professional services	760,921	864,622
Medical supplies and expenses	483,512	430,886
Equipment rental and maintenance	247,516	118,098
Depreciation	181,240	194,096
Miscellaneous	167,279	120,400
Facilities	152,272	251,801
Insurance	93,325	70,523
Program supplies and expenses	54,746	64,295
Communications	34,161	38,952
Information technology	31,086	48,316
Dues and subscriptions	26,215	21,429
Professional development	21,931	34,313
Total expenses and losses	6,899,706	6,835,766
Change in net assets	\$ 270,648	\$ 166,257

Karen Langley, Director of Development

EPISCOPAL CHURCH WOMEN

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

The Diocese of Texas' Episcopal Church Women held its 117TH Annual Retreat October 12-15, 2018 at Camp Allen. Psalm 139:14, "...I am fearfully and wonderfully made..." was the theme for this year's retreat. Women from all over the Episcopal

Diocese of Texas gathered for a weekend at Camp Allen attending a variety of incredible workshops; shopping at market vendors; spending quiet time; walking the Camp Allen labyrinth; and, for the first time at a retreat, enjoying a live performance from the Christian band *Evermore*.

Our opening plenary speaker, author and retired Episcopal priest, Mary C. Earle, kicked off the weekend with her exhortations from one of her books that was inspired by Psalm 139:14, titled "Marvelously Made". We were blessed to have The Reverend Francene Young as our opening worship service Celebrant and ended the retreat at the closing worship service with The Reverend Canon Christine Faulstich as our Celebrant.

The retreat this year was co-hosted by two churches, Holy Spirit, Waco and St. Luke the Evangelist, Houston along with the ECW Board. Our outreach ministry for this retreat was Bayou City Blessings in a Backpack, sponsored by St. Luke the Evangelist, Houston. This program provides weekend food to some 1,300 children that are at risk of experiencing hunger while away from their school meal programs.

We continue to be grateful for the churches and their continued assistance to fund us by paying their Fair Share assessment. This year we had 74 churches that sent in their assessments that we are so very grateful for! Education and awareness to church leadership regarding Fair Share assessments is an ongoing dialogue explaining that the Fair Share assessment is an offering from each church, no matter if there is an active ECW group within the church walls. Every woman, by virtue of being a member of the Episcopal Church, is a member of ECW. Many would agree that women's ministries are ongoing and important to church life. These Fair Share funds allow the Diocesan ECW to add to awards such as higher education scholarships, new outreach ministry grants that affect children and women throughout the Diocese, spiritual growth workshops in each of the convocations as well as helping out when a need, or crisis, arises. We thankful to be able to send \$500 to each of four churches that were substantially damaged from Hurricane Harvey in 2017. These Fair Share assessments also enable us to subsidize the cost of the Annual Retreat by having a reduced cost for attending the retreat and allowing more women to attend, including the gifting of some scholarships for attendance. Spiritual Growth Workshops in each of the convocations also benefit from the Fair Share funding. This year we funded convocational workshops that were presented by The Sisters of the Promise Ministry, headed by The Reverend Debbie Daigle, titled 'Dancing When You Don't Hear the Music'. Quiet Days and other offerings were also funded and presented in our convocations.

This year, 2018, and next year, 2019, the Episcopal Church Women are promoting the *1960 Hope Center* as our overall Outreach Project. The *1960 Hope Center*, a volunteer-driven ministry, is a coalition of multiple civic, health and religious groups that is exclusively committed to assist the homeless with today's basic needs while preparing them for a better tomorrow. You can find out more information at their website: <https://www.1960hopecenter.com/>

It continues to be a blessing and a delight to serve the women of our Diocese! I am in awe at the amazing women that continue to inspire many and show that collectively, **we are** the hands and feet of Christ in this broken world.

Trish Johnston, President

EPISCOPAL SENIOR FOUNDATION

Episcopal Seniors Foundation is the successor organization to The St. James House, Baytown, Foundation. With the proceeds of the sale of St. James House, Baytown, added to the existing funds, ESF will be able to broaden its scope to support ministries to seniors all across the diocese, not just in the Baytown/Houston area. Organizational work is almost complete, and we look forward to posting policies and guidelines on the diocesan website in early 2019 and entertaining our first grant requests shortly thereafter.

We invite your questions about the work we hope to do, your requests for funding projects that will help seniors, and, always, for your continued prayers to accomplish our mission.

Pamela S. Nolting, President

FINANCIAL CATEGORY SUMMARY* REPORT

*Summary by Categories Only

Organization Name: Episcopal Seniors Foundation

2017	2018
Year to Date 12/31/2017 Beginning capital balance \$ 2,725,850.39 Withdrawals (36,262.00) Note A Contributions 582,067.70 Capital Gains (Losses) 86,447.23 Net Investment Income 35,448.71 Change in Unrealized Gains (Losses) 215,444.80 Change in Account Balance 883,146.44 Ending Capital Balance \$ 3,608,996.83 Note A: 2/21/2017 \$315 – Camp Allen for deposit for retreat 3/14/2017 \$913 – Camp Allen for retreat 11/2017 \$35,000 – to Diocese for services 12/2017 \$ 34 – filing fee	Year to Date 9/30/2018 Beginning capital balance \$3,608,996.83 Withdrawals 834.00 Note B Contributions 2,806.06 Capital Gains (Losses) 86,447.23 Net Investment Income 35,164.15 Change in unrealized gains (losses) 2,806.06 Change in Account Balance 56,903.51 Ending Capital Balance 3,663,172.29 Note B: 5/2018 \$834 – Camp Allen for retreat

Pamela S. Nolting, President