

THE EPISCOPAL DIOCESE OF WEST TEXAS  
CONSOLIDATING FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
with  
INDEPENDENT AUDITORS' REPORT

THE EPISCOPAL DIOCESE OF WEST TEXAS

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## INDEPENDENT AUDITORS' REPORT

The Finance Committee  
The Episcopal Diocese of West Texas  
San Antonio, Texas

We have audited the accompanying consolidating financial statements of The Episcopal Diocese of West Texas, which comprise the consolidating statement of financial position as of December 31, 2019 and 2018, and the related consolidating statements of activities, functional expenditures and 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.

### **Auditor's 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor 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 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Diocese of West Texas as of December 31, 2019 and 2018, 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.

A Professional Corporation  
May 15, 2020

THE EPISCOPAL DIOCESE OF WEST TEXAS  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019

ASSETS	Budget Fund	Episcopal Church Corporation	Episcopal Church Foundation	Interfund Eliminations	TOTAL 2019
Cash and cash equivalents	\$ 2,828,603	\$ 3,982,221	\$ 7,040,398	\$ -	\$ 13,851,222
Investments	-	246	85,892,615	-	85,892,861
Accounts receivable	201,957	9,436	2,012	-	213,405
Prepaid expenses	369,724	-	-	-	369,724
Notes receivable - related party, net of allowance of \$648,469	-	339,938	-	-	339,938
Notes receivable	-	221,122	-	-	221,122
Equity interest in Christ Chapel	-	285,000	-	-	285,000
Property and equipment, net	-	18,670,599	780,000	-	19,450,599
Land held for sale, net of allowance of \$360,000	-	-	-	-	-
Assets held in trust	-	-	945,544	-	945,544
Contributions receivable from remainder trusts	-	1,025,284	-	-	1,025,284
Beneficial interest in perpetual trusts	-	2,460,779	-	-	2,460,779
Interfund receivable	2,376,102	25,647,914	-	(28,024,016)	-
<b>TOTAL</b>	<b>\$ 5,776,386</b>	<b>\$ 52,642,539</b>	<b>\$ 94,660,569</b>	<b>\$ (28,024,016)</b>	<b>\$ 125,055,478</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 135,437	\$ 384,583	\$ -	\$ -	\$ 520,020
Accrued liabilities	52,849	-	-	-	52,849
Deferred revenue	129,354	100	-	-	129,454
Line of credit	-	750,000	-	-	750,000
Funds held for others	16,033	12,316	59,233,865	-	59,262,214
Liability under unitrusts	-	-	547,582	-	547,582
Interfund payable	39,963	237,201	27,746,852	(28,024,016)	-
	373,636	1,384,200	87,528,299	(28,024,016)	61,262,119
<b>NET ASSETS:</b>					
Without donor restrictions	4,084,286	40,034,408	74,251	-	44,192,945
With donor restrictions	1,318,464	11,223,931	7,058,019	-	19,600,414
	5,402,750	51,258,339	7,132,270	-	63,793,359
<b>TOTAL</b>	<b>\$ 5,776,386</b>	<b>\$ 52,642,539</b>	<b>\$ 94,660,569</b>	<b>\$ (28,024,016)</b>	<b>\$ 125,055,478</b>

See notes to consolidating financial statements

THE EPISCOPAL DIOCESE OF WEST TEXAS  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

ASSETS	Budget Fund	Episcopal Church Corporation	Episcopal Church Foundation	Interfund Eliminations	TOTAL 2018
Cash and cash equivalents	\$ 3,218,669	\$ 1,889,440	\$ 8,499,493	\$ -	\$ 13,607,602
Investments	-	134	57,284,611	-	57,284,745
Accounts receivable	154,719	6,636	37,672	-	199,027
Prepaid expenses	291,439	-	119	-	291,558
Notes receivable - related party, net of allowance of \$649,669	-	348,972	-	-	348,972
Notes receivable	-	263,740	-	-	263,740
Equity interest in Christ Chapel	-	295,000	-	-	295,000
Property and equipment, net	-	18,348,805	-	-	18,348,805
Land held for sale, net of allowance of \$360,000	-	-	780,000	-	780,000
Assets held in trust	-	-	818,746	-	818,746
Contributions receivable from remainder trusts	-	675,328	-	-	675,328
Beneficial interest in perpetual trusts	-	2,190,493	-	-	2,190,493
Interfund receivable	1,932,818	20,815,952	-	(22,748,770)	-
<b>TOTAL</b>	<b>\$ 5,597,645</b>	<b>\$ 44,834,500</b>	<b>\$ 67,420,641</b>	<b>\$ (22,748,770)</b>	<b>\$ 95,104,016</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 24,955	\$ 204,356	\$ -	\$ -	\$ 229,311
Accrued liabilities	81,457	-	-	-	81,457
Deferred revenue	104,163	100	-	-	104,263
Line of credit	-	1,012,241	-	-	1,012,241
Funds held for others	11,653	34,739	38,286,817	-	38,333,209
Liability under unitrusts	-	-	486,109	-	486,109
Interfund payable	61,969	144,485	22,542,316	(22,748,770)	-
	284,197	1,395,921	61,315,242	(22,748,770)	40,246,590
<b>NET ASSETS:</b>					
Without donor restrictions	3,766,915	35,534,604	55,709	-	39,357,228
With donor restrictions	1,546,533	7,903,975	6,049,690	-	15,500,198
	5,313,448	43,438,579	6,105,399	-	54,857,426
<b>TOTAL</b>	<b>\$ 5,597,645</b>	<b>\$ 44,834,500</b>	<b>\$ 67,420,641</b>	<b>\$ (22,748,770)</b>	<b>\$ 95,104,016</b>

See notes to consolidating financial statements

THE EPISCOPAL DIOCESE OF WEST TEXAS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	BUDGET FUND			EPISCOPAL CHURCH CORPORATION			EPISCOPAL CHURCH FOUNDATION			Interfund Eliminations	2019
	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	With Donor Restrictions	TOTAL		
<b>SUPPORT AND REVENUE</b>											
Apportionments	\$ 4,449,900	\$ -	\$ 4,449,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,449,900
Endowments and contributions	-	378,713	378,713	-	4,524,145	4,524,145	-	83,950	83,950	-	4,986,808
Realized investment income	98,601	37,917	136,518	1,399,001	253,138	1,652,139	387	374,748	375,135	-	2,163,792
Unrealized gain on investments	145,016	57,480	202,496	2,401,022	371,149	2,772,171	-	625,281	625,281	-	3,599,948
Change in value of split-interest agreements	-	-	-	-	620,242	620,242	-	65,325	65,325	-	685,567
Net loss on sale of fixed assets	-	-	-	(47,938)	-	(47,938)	-	-	-	-	(47,938)
Camp and conference fees	1,249,516	-	1,249,516	-	-	-	-	-	-	-	1,249,516
CRUT trustee fees	-	-	-	-	-	-	4,095	-	4,095	-	4,095
Designated receipts	389,535	1,059,739	1,449,274	19,778	4,518	24,296	-	-	-	-	1,473,570
Other revenue and rents	25,460	-	25,460	1,200	815,204	816,404	-	-	-	-	841,864
Interest	-	-	-	9,233	-	9,233	-	-	-	-	9,233
<b>Total</b>	<b>6,358,028</b>	<b>1,533,849</b>	<b>7,891,877</b>	<b>3,782,296</b>	<b>6,588,396</b>	<b>10,370,692</b>	<b>4,482</b>	<b>1,149,304</b>	<b>1,153,786</b>	<b>-</b>	<b>19,416,355</b>
<b>EXPENSES</b>											
<b>Program services:</b>											
Missions	668,098	-	668,098	5,711	-	5,711	-	-	-	-	673,809
Camps and conferences	2,194,157	-	2,194,157	119,925	-	119,925	-	-	-	-	2,314,082
Social services	1,534,989	-	1,534,989	-	-	-	-	-	-	-	1,534,989
Education	54,278	-	54,278	-	-	-	-	-	-	-	54,278
Communication	248,114	-	248,114	-	-	-	-	-	-	-	248,114
Evangelism	7,061	-	7,061	-	-	-	-	-	-	-	7,061
Specialized ministries	606,515	-	606,515	10,000	-	10,000	-	-	-	-	616,515
Educational aid	63,136	-	63,136	-	-	-	76,887	-	76,887	-	140,023
Cathedral park	16,040	-	16,040	-	-	-	-	-	-	-	16,040
Other program services	193,719	-	193,719	10,912	-	10,912	23,322	-	23,322	-	227,953
<b>Total program services</b>	<b>5,586,107</b>	<b>-</b>	<b>5,586,107</b>	<b>146,548</b>	<b>-</b>	<b>146,548</b>	<b>100,209</b>	<b>-</b>	<b>100,209</b>	<b>-</b>	<b>5,832,864</b>
<b>Supporting services:</b>											
Bishop Jones Center	186,543	-	186,543	-	-	-	-	-	-	-	186,543
Salaries and allowances	1,547,603	-	1,547,603	-	-	-	50,930	-	50,930	-	1,598,533
Professional services	20,000	-	20,000	840,216	-	840,216	30,088	-	30,088	-	890,304
Property taxes and expenses	-	-	-	4,629	-	4,629	-	-	-	-	4,629
Insurance	197,699	-	197,699	-	-	-	-	-	-	-	197,699
Interest	-	-	-	40,138	-	40,138	-	-	-	-	40,138
Depreciation	-	-	-	889,093	-	889,093	-	-	-	-	889,093
Other expenses	101,497	-	101,497	907	-	907	3,470	-	3,470	-	105,874
<b>Total supporting services</b>	<b>2,053,342</b>	<b>-</b>	<b>2,053,342</b>	<b>1,774,983</b>	<b>-</b>	<b>1,774,983</b>	<b>84,488</b>	<b>-</b>	<b>84,488</b>	<b>-</b>	<b>3,912,813</b>
Unallocated payments to national church	577,096	-	577,096	-	-	-	-	-	-	-	577,096
Fundraising	15,164	-	15,164	142,485	-	142,485	-	-	-	-	157,649
<b>Total expenses</b>	<b>8,231,709</b>	<b>-</b>	<b>8,231,709</b>	<b>2,064,016</b>	<b>-</b>	<b>2,064,016</b>	<b>184,697</b>	<b>-</b>	<b>184,697</b>	<b>-</b>	<b>10,480,422</b>
Change in net assets from activities	(1,873,681)	1,533,849	(339,832)	1,718,280	6,588,396	8,306,676	(180,215)	1,149,304	969,089	-	8,935,933
Transfers of net assets:											
Which meet donor restrictions	1,686,959	(1,797,235)	(110,276)	3,346,593	(3,234,670)	111,923	137,781	(139,428)	(1,647)	-	-
From (to) the budget fund	-	-	-	(476,093)	(33,770)	(509,863)	(28,000)	(1,547)	(29,547)	539,410	-
From (to) the corporation	476,093	33,770	509,863	-	-	-	88,976	-	88,976	(598,839)	-
From (to) the foundation	28,000	1,547	29,547	(88,976)	-	(88,976)	-	-	-	59,429	-
<b>CHANGE IN NET ASSETS</b>	<b>317,371</b>	<b>(228,069)</b>	<b>89,302</b>	<b>4,499,804</b>	<b>3,319,956</b>	<b>7,819,760</b>	<b>18,542</b>	<b>1,008,329</b>	<b>1,026,871</b>	<b>-</b>	<b>8,935,933</b>
NET ASSETS beginning of year	3,766,915	1,546,533	5,313,448	35,534,604	7,903,975	43,438,579	55,709	6,049,690	6,105,399	-	54,857,426
NET ASSETS end of year	\$ 4,084,286	\$ 1,318,464	\$ 5,402,750	\$ 40,034,408	\$ 11,223,931	\$ 51,258,339	\$ 74,251	\$ 7,058,019	\$ 7,132,270	\$ -	\$ 63,793,359

See notes to consolidating financial statements

THE EPISCOPAL DIOCESE OF WEST TEXAS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	BUDGET FUND			EPISCOPAL CHURCH CORPORATION			EPISCOPAL CHURCH FOUNDATION			Interfund Eliminations	2018
	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	With Donor Restrictions	TOTAL	Without Donor Restrictions	With Donor Restrictions	TOTAL		
<b>SUPPORT AND REVENUE</b>											
Apportionments	\$ 4,312,260	\$ -	\$ 4,312,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,312,260
Endowments and contributions	-	13,463	13,463	25,715	964,847	990,562	-	74,000	74,000	-	1,078,025
Realized investment income	72,390	28,326	100,716	1,082,570	161,582	1,244,152	3,148	273,880	277,028	-	1,621,896
Unrealized loss on investments	(97,319)	(39,462)	(136,781)	(1,657,203)	(252,465)	(1,909,668)	-	(428,929)	(428,929)	-	(2,475,378)
Change in value of split-interest agreements	-	-	-	-	(391,660)	(391,660)	-	451,190	451,190	-	59,530
Net gain on sale of fixed assets	-	-	-	1,441,950	-	1,441,950	-	-	-	-	1,441,950
Camp and conference fees	1,188,784	-	1,188,784	-	-	-	-	-	-	-	1,188,784
CRUT trustee fees	-	-	-	-	-	-	8,777	-	8,777	-	8,777
Designated receipts	500,090	835,762	1,335,852	46,850	6,710	53,560	-	-	-	-	1,389,412
Other revenue and rents	44,281	-	44,281	1,450	-	1,450	-	-	-	-	45,731
Interest	-	-	-	10,741	202	10,943	-	-	-	-	10,943
<b>Total</b>	<b>6,020,486</b>	<b>838,089</b>	<b>6,858,575</b>	<b>952,073</b>	<b>489,216</b>	<b>1,441,289</b>	<b>11,925</b>	<b>370,141</b>	<b>382,066</b>	<b>-</b>	<b>8,681,930</b>
<b>EXPENSES</b>											
<b>Program services:</b>											
Missions	791,037	-	791,037	5,034	-	5,034	-	-	-	-	796,071
Camps and conferences	2,289,298	-	2,289,298	149,456	-	149,456	-	-	-	-	2,438,754
Social services	867,321	-	867,321	-	-	-	-	-	-	-	867,321
Education	49,126	-	49,126	18,000	-	18,000	-	-	-	-	67,126
Communication	139,921	-	139,921	-	-	-	-	-	-	-	139,921
Evangelism	5,012	-	5,012	-	-	-	-	-	-	-	5,012
Specialized ministries	564,172	-	564,172	10,000	-	10,000	-	-	-	-	574,172
Educational aid	52,932	-	52,932	500	-	500	79,489	-	79,489	-	132,921
Cathedral park	77,661	-	77,661	-	-	-	-	-	-	-	77,661
Other program services	264,063	-	264,063	7,113	-	7,113	21,882	-	21,882	-	293,058
<b>Total program services</b>	<b>5,100,543</b>	<b>-</b>	<b>5,100,543</b>	<b>190,103</b>	<b>-</b>	<b>190,103</b>	<b>101,371</b>	<b>-</b>	<b>101,371</b>	<b>-</b>	<b>5,392,017</b>
<b>Supporting services:</b>											
Bishop Jones Center	354,633	-	354,633	-	-	-	-	-	-	-	354,633
Salaries and allowances	1,452,511	-	1,452,511	-	-	-	49,446	-	49,446	-	1,501,957
Professional services	18,000	-	18,000	266,647	-	266,647	29,588	-	29,588	-	314,235
Property taxes and expenses	-	-	-	5,585	-	5,585	-	-	-	-	5,585
Insurance	187,530	-	187,530	-	-	-	-	-	-	-	187,530
Interest	-	-	-	78,551	-	78,551	-	-	-	-	78,551
Depreciation	-	-	-	986,749	-	986,749	-	-	-	-	986,749
Other expenses	109,378	-	109,378	650	-	650	4,403	-	4,403	-	114,431
<b>Total supporting services</b>	<b>2,122,052</b>	<b>-</b>	<b>2,122,052</b>	<b>1,338,182</b>	<b>-</b>	<b>1,338,182</b>	<b>83,437</b>	<b>-</b>	<b>83,437</b>	<b>-</b>	<b>3,543,671</b>
Unallocated payments to national church	420,726	-	420,726	-	-	-	-	-	-	-	420,726
Fundraising	15,448	-	15,448	59,276	-	59,276	-	-	-	-	74,724
<b>Total expenses</b>	<b>7,658,769</b>	<b>-</b>	<b>7,658,769</b>	<b>1,587,561</b>	<b>-</b>	<b>1,587,561</b>	<b>184,808</b>	<b>-</b>	<b>184,808</b>	<b>-</b>	<b>9,431,138</b>
Change in net assets from activities	(1,638,283)	838,089	(800,194)	(635,488)	489,216	(146,272)	(172,883)	370,141	197,258	-	(749,208)
Transfers of net assets:											
Which meet donor restrictions	1,201,070	(925,963)	275,107	1,393,931	(1,662,894)	(268,963)	141,163	(147,307)	(6,144)	-	-
From (to) the budget fund	-	-	-	(317,801)	(150,188)	(467,989)	(28,000)	(25,729)	(53,729)	521,718	-
From (to) the corporation	317,801	150,188	467,989	-	-	-	83,358	(1,745,762)	(1,662,404)	1,194,415	-
From (to) the foundation	28,000	25,729	53,729	(83,358)	1,745,762	1,662,404	-	-	-	(1,716,133)	-
<b>CHANGE IN NET ASSETS</b>	<b>(91,412)</b>	<b>88,043</b>	<b>(3,369)</b>	<b>357,284</b>	<b>421,896</b>	<b>779,180</b>	<b>23,638</b>	<b>(1,548,657)</b>	<b>(1,525,019)</b>	<b>-</b>	<b>(749,208)</b>
NET ASSETS beginning of year	3,858,327	1,458,490	5,316,817	35,177,320	7,482,079	42,659,399	32,071	7,598,347	7,630,418	-	55,606,634
NET ASSETS end of year	\$ 3,766,915	\$ 1,546,533	\$ 5,313,448	\$ 35,534,604	\$ 7,903,975	\$ 43,438,579	\$ 55,709	\$ 6,049,690	\$ 6,105,399	\$ -	\$ 54,857,426

See notes to consolidating financial statements

**EPISCOPAL DIOCESE OF WEST TEXAS**  
**CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENDITURES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Budget Fund					Episcopal Church Corporation				Episcopal Church Foundation				Total 2019
	Program Services	Supporting Services	Fund-Raising	Unallocated Payments	Total	Program Services	Supporting Services	Fund-Raising	Total	Program Services	Supporting Services	Fund-Raising	Total	
Salaries and benefits	\$1,906,878	\$1,543,204	\$ -	\$ -	\$3,450,082	\$ 4,867	\$ -	\$ -	\$ 4,867	\$ -	\$ 50,930	\$ -	\$ 50,930	\$ 3,505,879
Assistance to others	1,926,732	-	-	-	1,926,732	5,711	-	-	5,711	76,887	-	-	76,887	2,009,330
Depreciation	-	-	-	-	-	-	889,093	-	889,093	-	-	-	-	889,093
Repairs, maintenance & improvements	121,430	52,986	-	-	174,416	116,255	-	-	116,255	23,322	-	-	23,322	313,993
Travel, meals and meetings	467,302	71,300	-	-	538,602	-	-	9,642	9,642	-	1,815	-	1,815	550,059
Supplies and food	445,224	6,969	-	-	452,193	-	-	-	-	-	-	-	-	452,193
National church and misc dues	1,088	-	-	577,096	578,184	-	-	-	-	-	-	-	-	578,184
Insurance	196,557	197,699	-	-	394,256	-	-	-	-	-	-	-	-	394,256
Professional and service fees	110,927	35,787	-	-	146,714	-	840,216	132,843	973,059	-	30,088	-	30,088	1,149,861
Office and equipment expenses	110,528	91,187	-	-	201,715	-	-	-	-	-	-	-	-	201,715
Utilities	169,996	46,328	-	-	216,324	-	-	-	-	-	-	-	-	216,324
Other expenses	57,544	7,522	12,164	-	77,230	19,715	907	-	20,622	-	305	-	305	98,157
Printing, postage and website	59,374	360	3,000	-	62,734	-	-	-	-	-	1,350	-	1,350	64,084
Interest	-	-	-	-	-	-	40,138	-	40,138	-	-	-	-	40,138
Property and production taxes	12,527	-	-	-	12,527	-	4,629	-	4,629	-	-	-	-	17,156
	<u>\$5,586,107</u>	<u>\$2,053,342</u>	<u>\$ 15,164</u>	<u>\$ 577,096</u>	<u>\$8,231,709</u>	<u>\$ 146,548</u>	<u>\$1,774,983</u>	<u>\$ 142,485</u>	<u>\$2,064,016</u>	<u>\$ 100,209</u>	<u>\$ 84,488</u>	<u>\$ -</u>	<u>\$ 184,697</u>	<u>\$ 10,480,422</u>

	Budget Fund					Episcopal Church Corporation				Episcopal Church Foundation				Total 2018
	Program Services	Supporting Services	Fund-Raising	Unallocated Payments	Total	Program Services	Supporting Services	Fund-Raising	Total	Program Services	Supporting Services	Fund-Raising	Total	
Salaries and benefits	\$1,838,657	\$1,447,717	\$ -	\$ -	\$3,286,374	\$ 5,315	\$ -	\$ -	\$ 5,315	\$ -	\$ 49,446	\$ -	\$ 49,446	\$ 3,341,135
Assistance to others	1,427,932	-	-	-	1,427,932	23,534	-	-	23,534	79,489	-	-	79,489	1,530,955
Depreciation	-	-	-	-	-	-	986,749	-	986,749	-	-	-	-	986,749
Repairs, maintenance & improvements	198,464	229,234	-	-	427,698	144,142	-	-	144,142	21,882	-	-	21,882	593,722
Travel, meals and meetings	480,335	67,964	-	-	548,299	-	-	8,776	8,776	-	1,898	-	1,898	558,973
Supplies and food	425,006	1,595	-	-	426,601	-	-	-	-	-	38	-	38	426,639
National church and misc dues	6,487	-	-	420,726	427,213	-	-	-	-	-	-	-	-	427,213
Insurance	189,991	187,530	-	-	377,521	-	-	-	-	-	-	-	-	377,521
Professional and service fees	93,018	48,878	3,000	-	144,896	-	266,647	50,500	317,147	-	29,588	-	29,588	491,631
Office and equipment expenses	106,995	85,086	-	-	192,081	-	-	-	-	-	-	-	-	192,081
Utilities	165,053	48,044	-	-	213,097	-	-	-	-	-	-	-	-	213,097
Other expenses	88,390	5,882	12,448	-	106,720	17,112	650	-	17,762	-	707	-	707	125,189
Printing, postage and website	70,638	122	-	-	70,760	-	-	-	-	-	1,760	-	1,760	72,520
Interest	-	-	-	-	-	-	78,551	-	78,551	-	-	-	-	78,551
Property and production taxes	9,577	-	-	-	9,577	-	5,585	-	5,585	-	-	-	-	15,162
	<u>\$5,100,543</u>	<u>\$2,122,052</u>	<u>\$ 15,448</u>	<u>\$ 420,726</u>	<u>\$7,658,769</u>	<u>\$ 190,103</u>	<u>\$1,338,182</u>	<u>\$ 59,276</u>	<u>\$1,587,561</u>	<u>\$ 101,371</u>	<u>\$ 83,437</u>	<u>\$ -</u>	<u>\$ 184,808</u>	<u>\$ 9,431,138</u>

See notes to consolidating financial statements



THE EPISCOPAL DIOCESE OF WEST TEXAS  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>	<u>TOTAL 2019</u>
Cash flows from operating activities:				
Increase in net assets	\$ 89,302	\$ 7,819,760	\$ 1,026,871	\$ 8,935,933
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:				
Depreciation	-	889,093	-	889,093
Contributions restricted for long-term purposes	-	(3,387,708)	-	(3,387,708)
Interest income restricted for long-term purposes	-	(1,882)	-	(1,882)
Donated securities	-	-	(708,679)	(708,679)
Reinvested dividends	-	-	(3,115,282)	(3,115,282)
Unrealized gain on investments	-	(112)	(8,083,240)	(8,083,352)
Net realized gain on investments	-	-	(1,741,750)	(1,741,750)
Net loss on disposal of fixed assets	-	110,517	-	110,517
Recovery of bad debts	-	(1,200)	-	(1,200)
Changes in assets and liabilities:				
Accounts receivable	(47,238)	(2,800)	35,660	(14,378)
Prepaid expenses	(78,285)	-	119	(78,166)
Equity interest in Christ Chapel	-	10,000	-	10,000
Perpetual and remainder trusts	-	(620,242)	(126,798)	(747,040)
Accounts payable	110,482	180,227	-	290,709
Accrued liabilities	(28,608)	-	-	(28,608)
Deferred revenue	25,191	-	-	25,191
Funds held for others	4,380	(22,423)	20,947,048	20,929,005
Liabilities under Unitrusts	-	-	61,473	61,473
Interfund receivable	(443,284)	(4,831,962)	-	(5,275,246)
Interfund payable	(22,006)	92,716	5,204,536	5,275,246
Net cash (used in) provided by operating activities	<u>(390,066)</u>	<u>233,984</u>	<u>13,499,958</u>	<u>13,343,876</u>
Cash flows from investing activities:				
Purchase of investments	-	-	(28,858,157)	(28,858,157)
Proceeds from sale of investments	-	-	13,899,104	13,899,104
Purchase of property and equipment	-	(1,321,404)	-	(1,321,404)
Repayment of notes receivable	-	102,637	-	102,637
Advances on notes receivable	-	(49,785)	-	(49,785)
Net cash used by investing activities	<u>-</u>	<u>(1,268,552)</u>	<u>(14,959,053)</u>	<u>(16,227,605)</u>
Cash flows from financing activities:				
Repayments on line of credit	-	(262,241)	-	(262,241)
Contributions restricted for long-term purposes	-	3,387,708	-	3,387,708
Interest income restricted for long-term purposes	-	1,882	-	1,882
Net cash provided by financing activities	<u>-</u>	<u>3,127,349</u>	<u>-</u>	<u>3,127,349</u>
Net (decrease) increase in cash and cash equivalents	(390,066)	2,092,781	(1,459,095)	243,620
Cash and cash equivalents at beginning of year	<u>\$3,218,669</u>	<u>\$ 1,889,440</u>	<u>\$ 8,499,493</u>	<u>13,607,602</u>
Cash and cash equivalents at end of year	<u>\$2,828,603</u>	<u>\$ 3,982,221</u>	<u>\$ 7,040,398</u>	<u>\$ 13,851,222</u>
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	\$ -	\$ 40,138	\$ -	\$ 40,138

See notes to consolidating financial statements

THE EPISCOPAL DIOCESE OF WEST TEXAS  
CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>	<u>TOTAL 2018</u>
Cash flows from operating activities:				
Decrease (increase) in net assets	\$ (3,369)	\$ 779,180	\$ (1,525,019)	\$ (749,208)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:				
Depreciation	-	986,749	-	986,749
Contributions restricted for long-term purposes	-	(718,896)	-	(718,896)
Interest income restricted for long-term purposes	-	(945)	-	(945)
Reinvested dividends	-	-	(2,770,817)	(2,770,817)
Unrealized loss (gain) on investments	-	162	5,441,068	5,441,230
Net realized gain on investments	-	-	(571,587)	(571,587)
Net gain on sale of fixed assets	-	(1,441,950)	-	(1,441,950)
Recovery of bad debts	-	(1,300)	-	(1,300)
Changes in assets and liabilities:				
Accounts receivable	100,190	-	-	100,190
Prepaid expenses	(25,766)	-	(119)	(25,885)
Equity interest in Christ Chapel	-	10,000	-	10,000
Perpetual and remainder trusts	-	391,660	1,797,340	2,189,000
Accounts payable	(22,737)	(22,253)	-	(44,990)
Accrued liabilities	53,230	-	-	53,230
Deferred revenue	(20,476)	-	-	(20,476)
Funds held for others	(5,682)	(19,217)	(118,899)	(143,798)
Liabilities under Unitrusts	-	-	(509,769)	(509,769)
Interfund receivable	(46,339)	(692,229)	-	(738,568)
Interfund payable	(19,543)	(58,862)	816,973	738,568
Net cash provided by (used in) operating activities	<u>9,508</u>	<u>(787,901)</u>	<u>2,559,171</u>	<u>1,780,778</u>
Cash flows from investing activities:				
Purchase of investments	-	-	(5,094,252)	(5,094,252)
Proceeds from sale of investments	-	-	6,492,118	6,492,118
Purchase of property and equipment	-	(277,306)	-	(277,306)
Proceeds from sale of property and equipment	-	1,601,116	-	1,601,116
Repayment of notes receivable	-	183,977	-	183,977
Advances on notes receivable	-	(118,425)	-	(118,425)
Net cash provided by investing activities	<u>-</u>	<u>1,389,362</u>	<u>1,397,866</u>	<u>2,787,228</u>
Cash flows from financing activities:				
Repayments on line of credit	-	(928,296)	-	(928,296)
Contributions restricted for long-term purposes	-	718,896	-	718,896
Interest income restricted for long-term purposes	-	945	-	945
Net cash used in financing activities	<u>-</u>	<u>(208,455)</u>	<u>-</u>	<u>(208,455)</u>
Net increase in cash and cash equivalents	9,508	393,006	3,957,037	4,359,551
Cash and cash equivalents at beginning of year	<u>3,209,161</u>	<u>1,496,434</u>	<u>4,542,456</u>	<u>9,248,051</u>
Cash and cash equivalents at end of year	<u>\$3,218,669</u>	<u>\$ 1,889,440</u>	<u>\$ 8,499,493</u>	<u>\$ 13,607,602</u>
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	\$ -	\$ 78,551	\$ -	\$ 78,551

See notes to consolidating financial statements

THE EPISCOPAL DIOCESE OF WEST TEXAS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Episcopal Diocese of West Texas (the Diocese) is the governing body of the Episcopal churches in south and central Texas in an area that covers 60 counties. Programs of the organization include the support of mission churches, foreign ministries and assistance to social charities. Additionally, the Diocese operates the 188-acre Camp Capers retreat center located in Waring, Texas, the Mustang Island Conference Center located in Port Aransas, Texas, and the 19-acre Duncan Park retreat center in Ward, Colorado.

Basis of Accounting

The consolidating financial statements are presented under the accrual basis, reflecting revenues as they are earned and expenses as incurred, regardless of when cash is received or disbursed. The consolidating financial statements include the financial position, the results of operation and cash flows of the Budget Fund, which represents the operating accounts of the Diocese, the Episcopal Church Corporation in West Texas, and the Episcopal Church Foundation in West Texas. The significant intercompany transactions and balances have been eliminated in consolidation.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, “*Not-For-Profit Entities.*” Under (ASC) 958, the Diocese is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, as well as a presentation of expenses in their natural classification.

Income Taxes

The Diocese is a non-profit organization and is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). In addition, the Diocese qualifies for the charitable contribution deduction under Section 509(a)(2).

The Diocese also qualifies as a religious order in accordance with IRS Sections 501-514, 4940-4947, and 6033. This makes the Diocese exempt from filing federal Form 990, Return of Organizations Exempt from Income Tax.

Cash and Cash Equivalents

The Diocese considers cash on hand, cash in banks and all highly-liquid investments with an original maturity of three months or less to be cash equivalents. Cash held for net assets with a perpetual nature amounted to \$5,381 and \$29,220 as of December 31, 2019 and 2018, respectively.

THE EPISCOPAL DIOCESE OF WEST TEXAS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Fixed assets are recorded at cost if purchased or fair value if contributed; and are depreciated using the straight-line method. Buildings are depreciated over 30 to 40 years; furniture, fixtures and equipment are depreciated over 5 to 10 years; and automobiles and other such vehicles are depreciated over 5 years. Land, fine art and construction in progress are not depreciated. Repairs and maintenance are expensed as incurred.

Donated Materials And Contributed Services

Donated property, marketable securities, and other non-cash donations are recorded as contributions at their estimated market value at the date of donation.

The Diocese receives a substantial amount of services donated by those interested in the Diocese's programs. The kinds of services provided generally involve the contribution of time to organize and administer programs. Because of the difficulty in assigning values for such services, these items are generally not reflected in the accompanying consolidating financial statements.

Revenue and Support

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor-designated restrictions.

Revenues are reported as increases in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Absent explicit donor stipulations about the length of time long-lived assets must be maintained, the Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Estimates

The preparation of consolidating financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has considered subsequent events through May 15, 2020, which is the date the financial statements have been available to be issued

THE EPISCOPAL DIOCESE OF WEST TEXAS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In 2016, the FASB issued ASU 2016-18, which updates the statement of cash flows of non-profit entities under (ASC) 958 and became effective this reporting period. Under ASU 2016-18, the cash flow statement is to describe the change in total cash and as such, amounts described as restricted cash are to be included with beginning and ending amounts of cash and equivalents reconciled by the cash flow statement. There was no effect to the financial statements after adopting this principle as the cash flow statement already reconciled the change in total cash.

In 2018, the FASB issued ASU 2018-08, which updates financial statement presentation of non-profit entities under (ASC) 958 and became effective this reporting period. Under ASU 2018-08, guidance is improved concerning whether a transaction is a contribution or an exchange transaction. There was no effect to the financial statements after adopting this principle as contributions are historically non-conditional and none of the contributions approached an exchange transaction.

In 2014, the FASB issued ASU 2014-09, which updates revenue recognition under (ASC) 606 and became effective this reporting period. Under ASU 2014-09, contract revenue is reported separately from other types of revenue and is recognized in a 5 step process: 1. Identify the contract, 2. Identify performance obligations, 3. Determine transaction price, 4. Allocate transaction price to performance obligations, and 5. Recognize revenue upon satisfaction of performance obligations. The effect of this pronouncement was not significant to the prior year financial statements. Camps and conference revenue as well as canteen sales at campsites are considered to be contracts with customers under this pronouncement.

Revenues are recognized when control of these products or services is transferred to its members, in an amount that reflects the consideration the Diocese expects to be entitled to in exchange for these products or services. Sales and other taxes the Diocese collects concurrent with revenue producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue. Incidental items that are immaterial to the context of the contract are recognized as expense. The Diocese does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year. Based on its sales history, the Diocese does not incur material obligations for returns, refunds or warranties.

Canteen sales at campsites represent revenues from performance obligations satisfied at a point in time. The Diocese transfers control and records revenue for merchandise sold at the canteen upon the handing of the purchased items to the customer. Sales of merchandise give rise to variable consideration from returns that generally decrease the transaction price which reduces revenue.

Customer attendance at various camps and conferences held at one of the Diocese's three campsites represent revenues from performance obligations satisfied over time. The Diocese transfers control over time for these services commencing at the beginning of the camp or conference for each attendee. Revenues are recognized at the commencement of the time period with an estimate of deferred revenue representing unfulfilled service at year end. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are based upon historical experience and known trends.

THE EPISCOPAL DIOCESE OF WEST TEXAS  
 NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
 DECEMBER 31, 2019 AND 2018

Note 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31, 2019:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Cash on hand	\$ 1,778	\$ -	\$ -
Cash in banks	709,357	-	180,934
Cash in money markets	<u>2,117,468</u>	<u>3,982,221</u>	<u>6,859,464</u>
	<u>\$ 2,828,603</u>	<u>\$ 3,982,221</u>	<u>\$ 7,040,398</u>

Note 3 - INVESTMENTS

Investments are stated at fair value on a recurring basis. A provision for unrealized gains or losses is made in each year to adjust to the appropriate fair value. Realized and unrealized gains or losses are determined by comparison of cost to proceeds or market, respectively. Cost is determined by historical purchase price or, in the case of donated investments, the fair value of those investments at the date of the gift.

The fair value of investments held at each fund at December 31, 2019 and 2018, is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Episcopal Church Corporation	\$ 329	\$ 246	\$ 329	\$ 134
Episcopal Church Foundation	<u>76,876,950</u>	<u>85,892,615</u>	<u>56,352,187</u>	<u>57,284,611</u>
	<u>\$76,877,279</u>	<u>\$85,892,861</u>	<u>\$56,352,516</u>	<u>\$57,284,745</u>

Investments are comprised of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds:				
Equities	\$50,246,624	\$58,948,683	\$38,899,367	\$40,487,403
Fixed income	<u>26,630,655</u>	<u>26,944,178</u>	<u>17,453,149</u>	<u>16,797,342</u>
	<u>\$76,877,279</u>	<u>\$85,892,861</u>	<u>\$56,352,516</u>	<u>\$57,284,745</u>

THE EPISCOPAL DIOCESE OF WEST TEXAS  
 NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
 DECEMBER 31, 2019 AND 2018

Note 3 – INVESTMENTS (continued)

Fair value disclosures at December 31, 2019:

	Quoted Prices in Active Markets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Mutual Funds - equities	\$ 58,948,683	\$ -	\$ -
Mutual Funds - fixed income	<u>26,944,178</u>	<u>-</u>	<u>-</u>
	<u>\$ 85,892,861</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value disclosures at December 31, 2018:

	Quoted Prices in Active Markets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Mutual Funds - equities	\$ 40,487,403	\$ -	\$ -
Mutual Funds - fixed income	<u>16,797,342</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,284,745</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 - RESTRICTED USE OF CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments representing net assets with donor restrictions that are perpetual in nature or for long-term purposes are as follows at December 31, 2019:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Cash and cash equivalents	\$ -	\$ 5,381	\$ 2,647,943
Investments	<u>-</u>	<u>-</u>	<u>3,031,208</u>
	<u>\$ -</u>	<u>\$ 5,381</u>	<u>\$ 5,679,151</u>

Cash and investments representing net assets with donor restrictions that are perpetual in nature or for long-term purposes are as follows at December 31, 2018:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Cash and cash equivalents	\$ -	\$ 9,282	\$ 1,233,545
Investments	<u>-</u>	<u>-</u>	<u>2,971,821</u>
	<u>\$ -</u>	<u>\$ 9,282</u>	<u>\$ 4,205,366</u>

THE EPISCOPAL DIOCESE OF WEST TEXAS  
 NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
 DECEMBER 31, 2019 AND 2018

Note 5 - NOTES RECEIVABLE

The notes receivable balance at December 31, 2019 and 2018 of \$221,122 and \$263,740, respectively, are due from purchases of real property that will benefit two parishes of the Diocese. Based on management's historical experience, management considers these notes receivable to be fully collectible; therefore, no allowance for doubtful accounts has been reflected for these two notes.

One note is due in 60 installments of \$2,175 beginning November 1, 2014, bearing interest of 6% and is secured by the property sold. There is a corresponding liability to the Church in Comfort, TX for the amount of this note. The balance of this note was \$12,015 and \$34,739 at December 31, 2019 and 2018, respectively.

A second note is due in 164 installments of \$2,000 beginning November 1, 2015, bearing interest of 4% and is secured by the property sold. The balance of this note was \$209,106 and \$229,001 at December 31, 2019 and 2018, respectively.

Note 6 - NOTES RECEIVABLE - RELATED PARTY

Notes receivable at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Churches	\$ 988,407	\$ 998,641
Less allowance for doubtful accounts	<u>648,469</u>	<u>649,669</u>
	<u>\$ 339,938</u>	<u>\$ 348,972</u>

Notes receivable consist of amounts advanced to Diocese churches for capital improvements. Management periodically reviews past-due notes receivable for collectability and based on the financial condition and outlook of each church, adjusts the allowance for losses if the collectability of the note receivable is deemed to be remote. It is the policy of the Diocese to maintain records of past due notes receivable and to indefinitely maintain them in the allowance until the obligor is able to repay the debt. Interest is not accrued on loans that are past due one month or more. As of December 31, 2019, there was \$181,355 of net reported notes receivable on non-accrual status.

Note 7 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Diocese is the income beneficiary of two irrevocable perpetual trusts which are held by third party trustees. Revocable or conditional agreements are not recognized. The Diocese's interest in perpetual trusts is the present value of estimated future cash receipts from the trusts, which is best measured by the fair market value of the trusts' assets. This interest is classified as net assets with donor restrictions. The assets of these trusts consist of cash, bonds, common stocks and mutual funds. Based upon the fair market value of these assets from quoted market prices at December 31, 2019 and 2018, the beneficial interest is estimated at \$2,460,779 and \$2,190,493, respectively.

Distributions to the Diocese, totaling \$108,577 for 2019 and \$106,640 for 2018, were reported as investment income without donor restrictions, as received.



THE EPISCOPAL DIOCESE OF WEST TEXAS  
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

Note 8 - CONTRIBUTIONS RECEIVABLE FROM REMAINDER TRUSTS

The Diocese is the remainder beneficiary of irrevocable charitable trusts for which it is a trustee and also for which a third party is trustee. Under ASC 958, the Diocese recognizes the present value of the contribution at the date of the creation of the instrument. Present value is computed based upon the quoted market prices of the assets in trust reduced by the present value of the future payments to the donor or other beneficiaries based on life expectancy and the applicable federal mid-term discount rate. The Remainder trusts held by third party trustees use the federal mid-term discount rate as of the balance sheet date, which at December 31, 2019 and 2018 was 2.0% and 3.6%, respectively. For remainder trusts where the Organization is Trustee, the discount rate at the date of the trust's creation is used, which was 5% for two trusts. Changes in the value of the split-interest agreements result from revaluations of future benefits due donors and amortization of discounts initially set up to account for future benefits. These changes are reflected in the statement of activities. The interest of the Diocese in the split-interest agreements, net of the donors' interest, is presented as net assets with donor restrictions. Revocable or conditional agreements are not recognized as either contributions or assets.

The assets held in the various trusts consist of cash, bonds, common stocks and mutual funds having an aggregate fair market value of \$2,780,373 and \$2,521,864 at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, \$945,544 and \$818,746, respectively, of these assets was reported as assets held in trust, with a corresponding liability to beneficiaries of \$547,582 and \$486,109, respectively. The remaining trust assets reflect trusts held by third party trustees and are reported as the present value of the estimated future distributions to the Diocese which were \$1,025,284 and \$675,328 at December 31, 2019 and 2018, respectively. In accordance with ASC 958, these amounts are recorded as a contribution receivable.

Note 9 - LINE OF CREDIT

The Diocese has a line of credit with a bank collateralized by future contributions. Terms of the underlying credit agreement call for a maximum credit line of \$2,500,000. Interest is due monthly at a varying rate equal to 2.25% added to the 3-month LIBOR rate for the period ending January 24, 2018 and 2.00% added to the 3-month LIBOR rate for the period ending January 24, 2021. The interest rate for this line at December 31, 2019 was 3.85%. Advances under this line were \$750,000 and \$1,012,241 at December 31, 2019 and 2018, respectively.

Note 10 - ASSETS HELD FOR THE BENEFIT OF CHURCHES

The Diocese, through the Church Corporation, holds title to real property used by parishes within the Diocese. This real property is not recorded as assets of the Diocese and the historical costs of this property are unknown since the funds raised for construction were raised and managed by the individual parishes. Certain of these properties are encumbered for borrowings used by the parishes in construction. The Church Corporation at times may guarantee debt held on these properties; however, any guarantees are limited to funds received on the sale of said properties. Canon 21 of the Diocesan Canons provides that no real property, consecrated or unconsecrated, of any congregation, institution or other diocesan body shall be alienated or encumbered without the consent of the Church Corporation. Any debt created in such an approved transaction may encumber the property but can in no way become an obligation, direct or otherwise, of the Diocese or the Church Corporation.

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Note 11 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2019 and 2018:

	2019	2018
Land	\$ 5,012,503	\$ 5,012,503
Fine Art	112,811	112,811
Buildings and improvements	24,573,811	23,764,613
Furniture and equipment	1,480,734	1,434,234
Automobiles	281,344	281,344
Construction in progress	838,044	513,818
	32,299,247	31,119,323
Less accumulated depreciation	13,628,648	12,770,518
Net property and equipment	\$ 18,670,599	\$ 18,348,805

Note 12 - FUNDS HELD FOR OTHERS

The Diocese holds and invests funds for the benefit of parishes, the Good Samaritan Center (which is a related party of the Diocese) and other various religious purposes. These investments consist of cash, bonds, stocks and mutual funds and are as follows at December 31, 2019:

	Budget Fund	Episcopal Church Corporation	Episcopal Church Foundation
Churches and schools within the Diocese	\$ -	\$ 12,316	\$ 57,570,238
Good Samaritan Center	-	-	1,479,197
Other religious purposes	16,033	-	184,430
	\$ 16,033	\$ 12,316	\$ 59,233,865

Funds invested for others are as follows at December 31, 2018:

	Budget Fund	Episcopal Church Corporation	Episcopal Church Foundation
Churches and schools within the Diocese	\$ -	\$ 34,739	\$ 36,650,861
Good Samaritan Center	-	-	1,272,039
Other religious purposes	11,653	-	363,917
	\$ 11,653	\$ 34,739	\$ 38,286,817

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Note 13 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes as of December 31, 2019:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Subject to expenditure for a specific purpose:			
Outreach, missions and development	\$ 262,497	\$ 742,817	\$ 780,000
Education	5,674	938,100	2,834,579
Pastoral programs	981,692	513,339	1,226,565
Facilities maintenance and construction	68,601	4,041,728	134,301
Time restrictions	<u>-</u>	<u>1,025,284</u>	<u>397,962</u>
	1,318,464	7,261,268	5,373,407
Not subject to appropriation or expenditure:			
Education	-	383,500	724,591
Pastoral programs	-	75,292	907,021
Facilities maintenance and construction	-	818,089	53,000
Capital assets	-	225,003	-
Time restrictions	<u>-</u>	<u>2,460,779</u>	<u>-</u>
	<u>-</u>	<u>3,962,663</u>	<u>1,684,612</u>
	<u>\$ 1,318,464</u>	<u>\$ 11,223,931</u>	<u>\$ 7,058,019</u>

Net assets with donor restrictions were available for the following purposes as of December 31, 2018:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Subject to expenditure for a specific purpose:			
Outreach, missions and development	\$ 576,316	\$ 2,078,515	\$ 780,000
Education	285	747,180	2,270,408
Pastoral programs	917,984	413,340	890,761
Facilities maintenance and construction	51,948	447,235	91,022
Time restrictions	<u>-</u>	<u>675,328</u>	<u>332,887</u>
	1,546,533	4,361,598	4,365,078
Not subject to appropriation or expenditure:			
Education	-	383,500	724,591
Pastoral programs	-	75,292	907,021
Facilities maintenance and construction	-	668,089	53,000
Capital assets	-	225,003	-
Time restrictions	<u>-</u>	<u>2,190,493</u>	<u>-</u>
	<u>-</u>	<u>3,542,377</u>	<u>1,684,612</u>
	<u>\$ 1,546,533</u>	<u>\$ 7,903,975</u>	<u>\$ 6,049,690</u>

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Note 13 - RESTRICTIONS ON NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors for the year ended December 31, 2019 as follows:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Outreach, missions and development	\$ 1,087,734	\$ 142,486	\$ -
Education	27,882	6,107	76,887
Pastoral programs	217,117	213,084	15,273
Administrative support to ECF	-	13,627	23,946
Facilities maintenance and construction	<u>464,502</u>	<u>2,859,366</u>	<u>23,322</u>
	<u>\$ 1,797,235</u>	<u>\$ 3,234,670</u>	<u>\$ 139,428</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors for the year ended December 31, 2018 as follows:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Outreach, missions and development	\$ 590,931	\$ 59,276	\$ -
Education	37,254	12,000	86,399
Pastoral programs	216,987	217,760	13,730
Administrative support to ECF	2,336	14,496	25,296
Facilities maintenance and construction	<u>78,455</u>	<u>1,359,362</u>	<u>21,882</u>
	<u>\$ 925,963</u>	<u>\$ 1,662,894</u>	<u>\$ 147,307</u>

Note 14 - LAND HELD FOR SALE

Property assets of the Episcopal Church Foundation consist of a 25% interest in a 12.18 acre tract of land situated in McAllen, Texas. This property was donated in 2006, originally valued at \$1,140,000 and is classified as held for sale. An allowance of \$360,000 was assessed on the reported value of the land, resulting in a carrying value of \$780,000 at December 31, 2019 and 2018.

Note 15 - CONCENTRATION OF CREDIT RISK

The Diocese had more than the insured limit of \$250,000 in one financial institution. At December 31, 2019, cash deposits exceeded federally insured limits by \$6,862,224. Management monitors the creditworthiness of the institution, and believes the risk of loss due to credit risk to be remote.

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Note 16 - NET ASSETS WITHOUT RESTRICTIONS

The Diocese has designated, from consolidated net assets without donor restrictions of \$44,192,945 as of December 31, 2019, net assets for the following purposes:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Outreach, missions and development	\$ 75,417	\$ 2,358,858	\$ -
Education	5,337	2,112,564	300
Pastoral programs	1,044,417	3,520,929	500
Facilities maintenance	708,934	4,309,368	-
Discretionary funds	66,418	-	-
Medical insurance	1,323,324	-	-
Property purchases and improvements	<u>-</u>	<u>1,283,880</u>	<u>-</u>
	<u>\$ 3,223,847</u>	<u>\$ 13,585,599</u>	<u>\$ 800</u>

The Diocese has designated, from consolidated net assets without donor restrictions of \$39,357,228 as of December 31, 2018, net assets for the following purposes:

	<u>Budget Fund</u>	<u>Episcopal Church Corporation</u>	<u>Episcopal Church Foundation</u>
Outreach, missions and development	\$ 89,443	\$ 2,077,759	\$ -
Education	20,706	1,797,035	300
Pastoral programs	1,090,378	3,226,719	500
Facilities maintenance	623,999	4,016,011	-
Discretionary funds	81,165	-	-
Medical insurance	1,113,564	-	-
Property purchases and improvements	<u>-</u>	<u>1,203,395</u>	<u>-</u>
	<u>\$ 3,019,255</u>	<u>\$ 12,320,919</u>	<u>\$ 800</u>

Note 17 - INTENTIONS TO GIVE

In connection with the Diocesan Development Campaign, the Diocese had approximately \$2,609,432 and \$2,893,840 in outstanding intentions to give at December 31, 2019 and 2018, respectively. The intentions to give may be rescinded or modified by the donors at any time. As such, the intentions to give do not meet the criteria for revenue recognition under ASC 958. These intentions to give are recorded as contributions when funds are received.

Note 18 - RECLASSIFICATIONS

Certain reclassifications have been made to the prior year amounts to conform to the presentation of the 2019 amounts. Specifically, \$420,726 of program expenses were moved to unallocated payments.

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Note 19 - ENDOWMENT

The Diocese's endowment consists of donor-restricted funds established for property maintenance, scholarships, and pastoral programs. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Diocese is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted until the Diocese appropriates such amounts for expenditure. Accumulated income on the donated corpus held in perpetuity is classified as net assets with donor restrictions. The Diocese has interpreted SPMIFA as not requiring the maintenance of purchase power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Diocese considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Diocese has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization, and the investment policies of the Diocese.

*Return Objectives and Risk Parameters*

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Diocese must hold in perpetuity. Under this policy, as approved by management, the endowment assets are invested in a manner that is intended to produce regular investment returns while assuming a reasonable level of investment risk. The Diocese expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year and over the long term may vary from this amount.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy, in which investment returns are achieved through both current yield (interest and dividends) and capital appreciation (realized and unrealized). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives.

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

The Diocese has a policy of regular distributions from its endowment funds. In establishing this policy, the Diocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Diocese expects the current spending policy to allow its endowment to grow at an average rate of 4% annually, as uses of the endowment typically do not exceed growth of the endowment. These considerations resulted in distribution rates of 4.0% for both 2019 and 2018. Absent a financial emergency affecting the Diocese, disbursements from the corpus of the endowment fund are prohibited by the Charter governing the Endowment.

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Note 19 - ENDOWMENT (continued)

*Composition and Change of Endowment Assets*

For the years ended December 31, 2019 and 2018, the consolidated endowment net assets of the Diocese did not consist of net assets without restrictions. The changes of consolidated donor-restricted endowment assets for the years ended 2019 and 2018 are as follows:

	<u>Subject to Appropriation</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets December 31, 2017	\$ 3,688,656	\$ 2,811,492	\$ 6,500,148
Contributions	2,546	-	2,546
Investment return:			
Investment income	349,391	-	349,391
Net unrealized gain	<u>(518,575)</u>	<u>-</u>	<u>(518,575)</u>
Total investment return	(169,184)	-	(169,184)
Intercompany transfer	(18,118)	-	(18,118)
Endowment assets released from restrictions	<u>(148,302)</u>	<u>-</u>	<u>(148,302)</u>
Endowment net assets December 31, 2018	3,355,598	2,811,492	6,167,090
Contributions	8,450	150,000	158,450
Investment return:			
Investment income	485,239	-	485,239
Net unrealized gain	<u>772,981</u>	<u>-</u>	<u>772,981</u>
Total investment return	1,258,220	-	1,258,220
Intercompany transfer	(26,315)	-	(26,315)
Endowment assets released from restrictions	<u>(148,445)</u>	<u>-</u>	<u>(148,445)</u>
Endowment net assets December 31, 2019	<u>\$ 4,447,508</u>	<u>\$ 2,961,492</u>	<u>\$ 7,409,000</u>

Note 20 - PENSION PLAN

Lay employees of the Diocese become eligible for a pension plan administered by the Church Pension Group upon hire. Clergy employees of the Diocese become eligible upon ordination. The Diocese helps to fund this plan by sending 9% of eligible Diocesan lay employees and 18% of eligible Diocesan staff clergy salaries to the Church Pension Group. Pension expense for 2019 and 2018 was \$244,041 and \$214,513, respectively.

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Note 21 - RELATED PARTY TRANSACTIONS

The Diocese is a related party to all congregations and schools under its authority, the Good Samaritan Center of San Antonio and TMI - The Episcopal School of Texas (TMI). These entities receive support from the Diocese and the congregations contribute apportionments to help pay for the management of the Diocese. Support received from the congregations is shown as apportionments on these consolidating financial statements and totaled \$4,449,900 and \$4,312,260 for the years ended December 31, 2019 and 2018, respectively. Additionally, endowments and contributions as reported on the statements of activities included amounts donated by Churches within the Diocese of \$190,586 and \$191,431 for the years ended December 31, 2019 and 2018, respectively.

The Diocese provided direct support to the mission congregations of the Diocese, which approximated \$668,098 and \$791,037 for the years ended December 31, 2019 and 2018, respectively. The Diocese support of the programs at the Good Samaritan Center totaled approximately \$148,008 and \$155,500 for the years ended December 31, 2019 and 2018, respectively. The Diocese support of the programs of TMI totaled approximately \$229,081 and \$182,889 for the years ended December 31, 2019 and 2018, respectively. Additionally, at December 31, 2019 and 2018, \$2,264,228 and \$1,923,603, respectively, of the restricted funds in the Episcopal Church Foundation are purposed for the benefit of TMI.

The Diocese invested \$430,677 and \$330,000 in 2008 and 2007, respectively, to become a 50% owner of Christ Chapel at Texas State University – San Marcos (Christ Chapel). The remaining 50% of this non-profit corporation is owned by the Evangelical Lutheran Church in America. Christ Chapel's assets consisted of real property with an estimated value, based on the agreed price for the property in 2007, of \$1,500,000. Christ Chapel used this property, which is adjacent to the Texas State University in San Marcos, Texas, to provide campus ministries. In September of 2010, Christ Chapel sold this property for \$1,500,000. The sales price consisted of cash of \$750,000 and a note receivable for \$750,000 at 10% interest, payable in 10 annual installments at the first of each year beginning January 1, 2011. A corresponding lease was also entered into whereas Christ Chapel leases the same property for a period of 10 years beginning September 15, 2010. Lease payments consist of \$1 per year in addition to a reduction of the expected annual note payments by \$20,000 per year. The Diocese's interest in half of Christ Chapel's note receivable is reported as "Equity interest in Christ Chapel" on the 2019 and 2018 statements of financial position. No note payments have been collected on the notes receivable to date. However, during both 2019 and 2018, the equity interest reported on the statement of financial position was reduced by \$10,000, or 50% of the note receivable reduction per the lease agreement. Salary and related costs for Christ Chapel ministries were \$0 for both 2019 and 2018.

Note 22 - OPERATING LEASE AGREEMENTS

Effective February 2016, the Diocese entered into a lease agreement with US Bank to lease copier equipment. This agreement called for base monthly payments of \$1,928 for 60 months. The lease was renewed in September 2019 with base monthly payments of \$1,799 for 60 months. Lease payments made during 2019 and 2018 were \$21,104 and \$23,834, respectively. Future minimum lease payments at December 31, 2019 are as follows: 2020 - \$21,588; 2021 - \$21,588; 2022 - \$21,588; 2023 - \$21,588; 2024 - \$14,392.



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Note 23 – SHORT TERM LIQUIDITY MANAGEMENT

The following reflects the Diocese’s financial assets as of the December 31, 2019 and 2018 statement of financial position dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves the action. However, amounts already appropriated from either donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

	2019	2018
Financial assets at year-end	\$ 99,957,488	\$ 71,091,374
Less those unavailable for general expenditures within one year due to:		
Subject to appropriation and satisfaction of donor restrictions	(14,711,386)	(11,296,737)
Funds held for others	(59,262,214)	(38,333,209)
Board of Directors designations:		
Amounts set aside for outreach	(2,434,275)	(2,167,202)
Amounts set aside for education	(2,118,201)	(1,848,041)
Amounts set aside for facilities maintenance	(5,018,302)	(4,640,010)
Discretionary funds	(66,418)	(81,165)
Amounts set aside for property purchases	(1,283,880)	(1,203,395)
Amounts set aside for medical insurance	(1,323,324)	(1,113,564)
Amounts set aside for pastoral programs	(4,565,846)	(4,317,597)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,173,642	\$ 6,090,454

The Diocese is substantially supported by apportionments, camp fees, investment income and contributions that are without donor restrictions. As part of the Diocese’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Diocese budgets its expenditures to be less than its revenues and invests cash in excess of daily requirements in investment accounts. In the event of an unanticipated liquidity need, the Diocese could draw upon its Board designated funds.

NOTE 24 – CONTRACTS WITH CUSTOMERS

Contract liabilities are collected funds for which the performance obligation has not been fulfilled and are accumulated as deferred revenue on the balance sheet. Contract liabilities at December 31, 2019 and 2018 were \$90,165 and \$58,476. Contract assets consist of accounts receivable from camp conferences and amounted to \$46,593 and \$14,895 at December 31, 2019 or 2018, respectively.

Contract revenues are reported as camp and conference fees on the statement of activities. Customer payments typically occur at the end of the period of stay at the camp. Of the reported amounts, revenues from a point in time (canteen sales) were \$39,443 and \$42,223 during 2019 and 2018, respectively.