

All Saints' Episcopal Church, Austin
Management Letter
December 31, 2015

Dunagan★Jack LLP
Certified Public Accountants

To the Vestry and Management
All Saints' Episcopal Church, Austin

In planning and performing our audit of the financial statement of the Operating Funds of All Saints' Episcopal Church, Austin (a Texas nonprofit corporation) for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered All Saints' Episcopal Church, Austin's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, we do not express an opinion on the effectiveness of the Church's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Church's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in All Saints' Episcopal Church, Austin's internal control to be material weaknesses:

Bank and Brokerage Accounts Not Included in ACS

The Rector's Discretionary and Associate Rector's Discretionary bank account balances and related 2015 activities were not included in ACS, the Church's accounting software. The Church also has brokerage accounts with RBC and Stephens Inc. that are primarily used to receive stock gifts. These accounts are also not included in ACS. We recommend all bank accounts owned by the Church be reflected in ACS. While the brokerage accounts are temporary holding accounts for stock gifts, we recommend these be included in ACS as well.

Management's response: We agree with the auditors' recommendations regarding the bank accounts. We have already added the Rector's Discretionary and Associated Rector's Discretionary accounts to ACS.

Segregation of Duties

A fundamental concept in a good system of internal control is the segregation of duties. In reviewing procedures and controls related to cash disbursement functions, we noted that during 2015 the Bookkeeper had more responsibilities than is optimal. She had access to blank checks, access to the accounting software, and prepared the bank reconciliations, which were not reviewed by another party. This condition provided opportunities for misappropriation of funds and concealment of such activity. Please note this comment is not meant to imply that we identified unauthorized disbursements, but that additional controls would reduce risks. We recommend, at a minimum, that another informed individual receive unopened bank statements with cleared check images, and review them for unusual transactions. In addition, he or she should review, approve, and sign the bank reconciliation each month. This procedure should be implemented for all bank and brokerage accounts.

Management's response: We agree with the auditors' recommendations. We developed and are using a checklist that different members of the Finance and Oversight Committees can use for verifying that certain bills were paid (Finance) and looking at all checks above a certain amount and/or written for a certain purpose (Oversight).

GAAP Audit Issues

Our 2015 audit was narrowly tailored to just the Operating Funds of the Church. Generally accepted accounting principles (GAAP) require the Church to consolidate all controlled entities, including All Saints' Episcopal Day School, The Front Porch Project, Inc., and The All Saints' Endowment Fund. GAAP also requires inclusion of all assets, liabilities, and activities of the Church, including all Operating, Episcopal Church Women, AC Powell Scholarship, Loaves and Fishes Ministry, Rector's Discretionary, and Associate Rector's Discretionary accounts. Due to some issues in obtaining certain information for The All Saints' Endowment Fund, lack of documentation for certain activities, and some activities not being recorded in ACS, we did not believe that consolidated financial statements that include all the entities controlled by and all the programs run by the Church were auditable.

Management's response: We agree with the auditors' comments. We made changes in 2016 to include all bank accounts owned by the Church in ACS. All activities transacted through these bank accounts are also now reflected in ACS. Documentation is being maintained to support all transactions.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Church's internal control to be a significant deficiency:

Tracking Restricted/Designated Funds

Using two different methods to track restricted and designated funds has led to some confusion. Under this system, it is difficult to determine the total funds that are restricted and designated, and how much the Church actually has in unrestricted funds. The first tracking method uses multiple general ledger accounts to track restrictions/designations within bank accounts. There are five general ledger accounts that total to the operating checking account bank balance. There are four general ledger accounts that total to the operating money market account bank balance. The second tracking method uses restricted accounts, which are reflected as a component of Fund Balance in ACS. We recommend discontinuing the use of multiple general ledger accounts to show restrictions/designations within a bank balance. One general ledger account in ACS should correspond to one bank account balance. All restricted/designated funds should be tracked through restricted accounts in ACS.

Management's response: We generally agree with the auditors' recommendations and, as of year-end 2016, all restricted/designated balances are being tracked through ACS restricted accounts. However, because we're moving to fund accounting for certain programs, software limitations require that we continue limited use of the special-purpose buckets within the Operating checking account.

This communication is intended solely for the information and use of management, the Vestry, and others within the Church, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jonathan Jack LLC". The signature is written in a cursive, stylized font.

Austin, Texas
December 20, 2016

All Saints' Episcopal Church, Austin
Operating Funds
Financial Statement and
Independent Auditors' Report
December 31, 2015

All Saints' Episcopal Church, Austin
Operating Funds

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INDEPENDENT AUDITORS' REPORT

To the Vestry
All Saints' Episcopal Church, Austin

We have audited the accompanying statement of cash receipts and disbursements of the Operating Funds of All Saints' Episcopal Church, Austin (a Texas nonprofit corporation) for the year ended December 31, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting as described in Note A2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for 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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of the Operating Funds of All Saints' Episcopal Church, Austin for the year ended December 31, 2015, in accordance with the cash basis of accounting as described in Note A2.

Basis of Accounting

We draw attention to Note A2 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Jonathan Jack, LLC". The signature is written in a cursive, flowing style.

Austin, Texas
December 20, 2016

FINANCIAL STATEMENT

All Saints' Episcopal Church, Austin
Operating Funds

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For the year ended December 31, 2015

CASH RECEIPTS	
Contributions	\$ 884,446
Other receipts	34,393
Total cash receipts	918,839
CASH DISBURSEMENTS	
Personnel	
Salaries & wages	543,507
Benefits & allowances	141,250
Payroll taxes	33,571
Diocesan assessment	114,446
Utilities	57,284
Worship, including choir & altar expenses	41,219
Repairs & maintenance	38,487
Insurance	33,389
Copier	16,629
Outreach	14,150
Office supplies	14,107
Loan principal payments	13,267
Loan interest payments	12,608
Education	8,533
Parish life	6,419
Audit & bookkeeping	6,304
Other disbursements	67,258
Total cash disbursements	1,162,428
INTER- AND INTRA-COMPANY TRANSACTIONS	
Payroll reimbursements to Operating Funds	
Parents' Day Out	80,358
Front Porch	73,383
Transfers to Operating Funds	
Endowment fund	18,718
Day School	14,640
Received on behalf of (transferred to), net	
Clergy discretionary accounts	6,601
Parents' Day Out	(4,256)
Loaves and Fishes Ministry	(76)
Front Porch	(79)
Total inter- and intra-company transactions	189,289
CHANGE IN CASH AND CASH EQUIVALENTS	(54,300)
BEGINNING CASH AND CASH EQUIVALENTS	189,703
ENDING CASH AND CASH EQUIVALENTS	\$ 135,403

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENT

All Saints' Episcopal Church, Austin
Operating Funds

NOTES TO FINANCIAL STATEMENT

December 31, 2015

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

All Saints' Episcopal Church, Austin (Parish) is a Texas nonprofit corporation. The Parish is operated and administered exclusively for religious and charitable purposes in union with the Protestant Episcopal Church in the United States of America (Episcopal Church) and the Episcopal Diocese of Texas (Diocese of Texas). The Parish recognizes and accedes to the authority of the Constitution and Canons of the Episcopal Church and of the Diocese of Texas and agrees to conform solely to the Doctrine, Discipline, and Worship of the Episcopal Church and the Diocese of Texas.

The accompanying statement of cash receipts and disbursements of the Operating Funds of the Parish only includes the balances and activities transacted through the Parish's Frost operating checking and Frost money market deposit accounts. The entities controlled by the Parish are excluded from this statement, including All Saints' Episcopal Day School (Day School) and The Front Porch Project, Inc. (Front Porch). Also excluded from this statement are bank accounts not considered operating funds, including the Episcopal Church Women, AC Powell Scholarship, Loaves and Fishes Ministry, Rector's Discretionary, and Associate Rector's Discretionary bank accounts.

2. Basis of Accounting

The Parish's financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting differs from accounting principles generally accepted in the United States of America in that under the cash receipts and disbursements basis of accounting, the Parish recognizes contributions and other revenue when received rather than when earned, and recognizes expenses when paid rather than when incurred. Under that basis, the only asset recognized is cash, and no liabilities are recognized. Noncash transactions are not recognized in the financial statement.

3. Cash and Cash Equivalents

The Parish considers checking accounts, savings accounts, money market funds, and certificates of deposits purchased with initial maturities of three months or less to be cash equivalents.

All Saints' Episcopal Church, Austin
Operating Funds

NOTES TO FINANCIAL STATEMENT - CONTINUED

December 31, 2015

NOTE B - TAX EXEMPT STATUS

The Parish is generally exempt from federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3). Therefore, no provision for income taxes has been included in this financial statement.

NOTE C - RETIREMENT PLANS

The Parish has two retirement plans. Substantially all employees are eligible to participate under one of the plans. Non-clergy Parish employees who are at least 21 years of age and have completed twelve months of service in which they worked 1,000 hours may participate in a defined contribution retirement plan. For this defined contribution plan, the Parish contributes 5% of eligible compensation annually to participant accounts. In addition, the Parish matches participant contributions, dollar for dollar, up to 4% of eligible compensation. Participants are fully vested on all participant contributions, Parish contributions, and earnings on these amounts. Clergy participate in a defined benefit retirement plan. Benefits are determined based on years of service and compensation received during that time. While the clergy pension plan is a defined benefit plan, the Parish is only responsible for the current assessments on a cleric's total assessable compensation, and not for any future/potential shortfalls of the Church Pension Group relating to retirement benefits. The Parish recognized \$53,704 of disbursements in 2015, relating to these two plans.

The Parish accumulated approximately \$76,000 in unfunded retirement plan obligations over a three year span from December 2012 through March 2016. During 2016 these outstanding obligations were paid in full.

NOTE D - RELATED PARTY TRANSACTIONS

The Diocese of Texas is a regional affiliate of the Parish. During 2015, the Parish paid the Diocese of Texas assessments of \$114,446.

The Parish provides facilities for the Day School. During 2015, the Parish received \$14,640 from the Day School to help offset the costs of certain facilities and equipment expenses.

The Parish employs the Front Porch staff. During 2015, the Parish received \$73,383 from the Front Porch to reimburse the Parish for wages, taxes, and benefits.

All Saints' Episcopal Church, Austin
Operating Funds

NOTES TO FINANCIAL STATEMENT - CONTINUED

December 31, 2015

NOTE E - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 20, 2016, the date the financial statement was available to be issued.

Dunagan★Jack LLP
Certified Public Accountants

January 17, 2017

To the Vestry
All Saints' Episcopal Church, Austin

We have audited the financial statement of the Operating Funds of All Saints' Episcopal Church, Austin (Parish) for the year ended December 31, 2015, and have issued our report thereon dated December 20, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 4, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by All Saints' Episcopal Church, Austin are described in Note A to the financial statement. The Parish used the cash basis of accounting for the year. We noted no transactions entered into by the Parish during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The disclosures in the financial statement are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All material misstatements detected as a result of audit procedures were corrected by management. The attached schedule summarizes adjustments made to the financial statement for the year ended December 31, 2015.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 9, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Parish's financial statement or a determination of the type of auditors' opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Parish's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Vestry and management of All Saints' Episcopal Church, Austin and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Junagan Jack LLP". The signature is written in a cursive, stylized font.

Adj. Journal Entries
All Saints' Episcopal Church
December 31, 2015

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Assoc Clergy Discretionary	2000s	1022-7		1,150.57
1	Operating Equity		3000-1	1,150.57	
1	Outreach - Loaves & Fishes		1017-7		39,991.54
1	Restricted Misc. Equity		3010-3	28,826.99	
1	Restricted Misc. Equity		3010-3		814.00
1	Operating Equity		3000-1		14,053.77
1	Operating Equity		3000-1	26,032.32	
1	A C Powell Account		1007-2		6,650.79
1	Operating Equity		3000-1	6,650.79	
1	ECW		1011-2		3,943.86
1	Operating Equity		3000-1	3,943.86	
To reverse cash for non-operating fund accounts.					
2	Bldg./Church Rest.	3200	1200-2		3,944,201.00
2	Furn., Fixt. & Equip.		1205-1		541.14
2	Rectory		1207-1		458,498.07
2	Operating Equity		3000-1	4,403,240.21	
To reverse fixed assets for cash receipts and disbursements basis of accounting.					
3	Operating Accounts Payable	4150	2020-1	227.25	
3	Misc. Exp.		5225-1		227.25
3	Lay Pension Cont. Previous Yrs		2034-1	4,997.93	
3	Employee pension		6500-1		4,997.93
3	Lay Pensions Payable		2035-1	25,370.57	
3	Operating Equity		3000-1		16,157.14
3	Employee pension		6500-1		9,213.43
3	Health Ins. Employer Payable		2037-1		5,778.77
3	Health Insurance		6501-1	5,778.77	
3	CC Charges Pending MA		2149-1	709.73	
3	Misc. Exp.		5225-1		709.73
3	Sam's Charges Pending MM		2417-1	424.07	
3	Supplies		5185-1		424.07
3	CC Charges Pending MM		2430-1	1,656.41	
3	Office Supplies		5200-1		69.10
3	Repair & Maintenance		5175-1		518.46
3	Altar/Worship Supplies		5035-1		59.90
3	ASAT/Parish Events		5071-1		40.00
3	FF&E Multiyear Purchases		5189-1		951.00
3	Postage		5215-1		17.95
To reverse payables for cash receipts and disbursements basis of accounting.					
4	Prepaid Operating Pledges	4120	2024-1	13,425.00	
4	Pledge Income		4005-1		13,425.00
4	Pledge Income		4005-1	22,029.80	
4	Operating Equity		3000-1		22,029.80
To recognize revenue for 2016 pledge payments received in 2015 and to reverse revenue for 2015 pledge payments received in 2014.					
5	Rectory Mortgage	5000	2052-1	140,610.18	
5	Frost Bank Loan		2056-1	124,527.69	
5	Operating Equity		3000-1		278,405.18
5	Principal payments		6550-1	13,267.31	
To reverse notes payable for cash receipts and disbursements basis of accounting.					
6	Restricted Funds Revenue	5425	4999-1		30,180.06
6	RF Revenue: Endowment Fund Transfer		4999-4		13,537.24
6	RF Revenue: Parent's Day Out		4999-2		80,358.00
6	RF Revenue: L&F		4999-3		62,655.96
6	Restricted Funds Expense		5999-1	22,692.13	
6	RF Expense: Parent's Day Out		5999-2	84,614.03	
6	RF Expense: L&F		5999-3	45,717.73	
6	Operating Equity		3000-1	33,707.37	

Adj. Journal Entries
All Saints' Episcopal Church
December 31, 2015

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
To gross up revenues and expenses for transactions recorded through restricted accounts.					
7	Intra-Church Activity	2620/21	1181-1		14,092.23
7	Front Porch Reimbursement		6288-1	14,092.23	
7	Reconciling Items		1182-1		14,985.35
7	Operating Equity		3000-1	14,967.28	
7	Bookkeeping		5253-1	18.07	
7	Reconciling Items		1182-1	23,973.14	
7	Operating Equity		3000-1		9,691.26
7	Front Porch Reimbursement		6288-1		14,281.88
To adjust inter-company and reconciling items for cash receipts and disbursements basis of accounting.					
8	Operating Equity	5433	3000-1		10,537.24
8	IRS tax payment		6400-1	10,537.24	
To recognize disbursement for IRS payment posted to net assets.					
9	Restricted Funds Revenue	54xx	4999-1	5,180.45	
9	RF Revenue: Endowment Fund Transfer		4999-4		5,180.45
9	Restricted Funds Revenue		4999-1	4,682.07	
9	Restricted Funds Expense		5999-1		5,180.45
9	Parish Events		5075-1	498.38	
To reverse revenue/expense from gross up entry from intra-company transfers and to reclassify gross up (wps 5439, 5441).					
10	Loaves and Fishes Donations	various	4022-7	32,842.25	
10	To Loaves & Fishes Acct		5130-1		49,856.48
10	RF Expense: L&F		5999-3		45,717.73
10	RF Revenue: L&F		4999-3	62,655.96	
10	RF Expense: L&F		5999-3	76.00	
To reverse L&F revenue/expense and net transfers (wps 5245, 5445, 6122, 5428).					
11	PDO Reimbursement Income	5455	4023-7	80,358.00	
11	RF Expense: Parent's Day Out		5999-2		80,358.00
To net PDO gross up.					
12	Misc. Income	6043	4020-1	50,000.00	
12	Misc. Exp.		5225-1		50,000.00
To reverse revenue/expense from endowment fund receipt/transfer for cash receipts and disbursements basis of accounting.					
Totals				5,309,481.78	5,309,481.78