



Melissa Manriquez
Deputy Clerk

Pima County Clerk of the Board

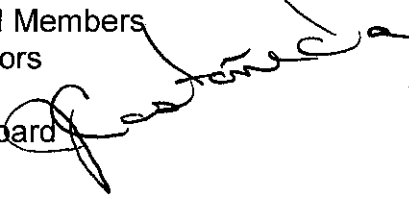
Julie Castañeda

Administration Division
130 W. Congress, 5th Floor
Tucson, AZ 85701
Phone: (520)724-8449 • Fax: (520) 222-0448

Management of Information & Records Division
1640 East Benson Highway
Tucson, Arizona 85714
Phone: (520) 351-8454 • Fax: (520) 791-6666

MEMORANDUM

TO: Honorable Chairman and Board Members
Pima County Board of Supervisors

FROM: Julie Castañeda, Clerk of the Board 

DATE: November 19, 2019

RE: Petition for Relief of Real Property Taxes – Saint Philip's in the Hills

Pursuant to A.R.S. §42-11109(E), Saint Philip's in the Hills, filed a petition on October 22, 2019, for relief of their 2019 Real Property Taxes as follows:

Pending Tax Payment:

| Parcel No. | Year | Taxes due | Interest | Total* |
|---------------|------|---------------------|---------------|---------------------|
| 108-23-079E-1 | 2019 | \$ 61,073.19 | \$.00 | \$ 61,073.19 |
| 108-23-079E-2 | 2019 | \$ 61,073.18 | \$.00 | \$ 61,073.18 |
| Total | | \$122,146.37 | \$.00 | \$122,146.37 |

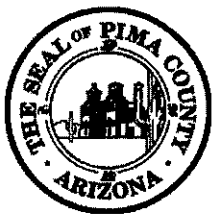
The Assessor's review indicated that had the affidavit been filed in a timely manner the the exemption would have been granted.

*Totals as of October 31, 2019.

/jc

Attachments

- Notice of Hearing
- Treasurer's Tax Reports
- Assessor's Review Form
- Saint Philip's in the Hills submission



Melissa Manriquez
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Tucson, Arizona 85714
Phone: (520) 351-8454 • Fax: (520) 791-6666

November 6, 2019

Saint Philip's in the Hills
Attn: Lois J. Britton, Director of Operations & Finance
P.O. Box 65840
Tucson, AZ 85718

RE: Petition for Relief of Taxes – Parcel No. 108-23-079E

Dear Ms. Britton:

Please be advised that your Petition for Relief of Real Property Taxes for tax year 2019, has been scheduled before the Pima County Board of Supervisors on Tuesday, November 19, 2019, at 9:00 a.m., or thereafter, at the following location:

Pima County Administration Building
Board of Supervisors Hearing Room
130 West Congress, 1st Floor
Tucson, AZ 85701

If you have any questions regarding this hearing, please contact this office at 724-8449.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Castañeda", is written over a horizontal line.

Julie Castañeda
Clerk of the Board

/jc



PIMA COUNTY TREASURER'S OFFICE

Beth Ford, CPA
Pima County Treasurer

240 North Stone Avenue
Tucson AZ, 85701-1199
(520) 724-8341

ACCOUNT BALANCE

ST PHILIPS IN THE HILLS EPISCOPAL CHURCH
PO BOX 65840
TUCSON AZ 85728

ACCOUNT: 10823079E
PROPERTY TYPE: Real Estate
PROPERTY LOCATION: 4440 N CAMPBELL AV
LEGAL DESC: ST PHILLIP'S PLAZA W197.51' N765.37' LOT 4 &
PTN W390' SW4 NW4 LYG E CAMPBELL AVE & N RIVER RD
9.82 AC SEC 20-13-14

Account Balance as of October 28, 2019

| Tax Year | Cert No | Interest Date | Interest Percent | Amount | Interest Due | Fees Due | Penalties Due | Total Due |
|---------------|---------|---------------|------------------|--------------|--------------|----------|---------------|--------------|
| 2019 - 1 | | 11/2/2019 | 16.0 | 61,073.19 | 0.00 | 0.00 | 0.00 | 61,073.19 |
| 2019 - 2 | | 5/2/2020 | 16.0 | 61,073.18 | 0.00 | 0.00 | 0.00 | 61,073.18 |
| Totals | | | | \$122,146.37 | \$0.00 | \$0.00 | \$0.00 | \$122,146.37 |

If you have any questions about the items on this statement, please contact our offices.



Melissa Manriquez
Deputy Clerk

Pima County Clerk of the Board

Julie Castañeda

Administration Division
130 W. Congress, 5th Floor
Tucson, AZ 85701
Phone: (520)724-8449 • Fax: (520) 222-0448

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Phone: (520) 351-8454 • Fax: (520) 791-6666

Petition to the Board of Supervisors - Review Form

Pursuant to ☐ A.R.S. §42-11104(G) (educational/library property) or
☒ A.R.S. §42-11109(E) (religious property)

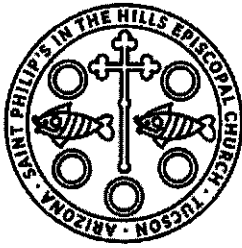
Taxpayer Saint Philip's in the Hills

For tax year(s) 2019 - Parcel No. 108-23-079E

- 1) Did the organization file an affidavit as required by A.R.S. §42-11153?
☐ Yes ☒ No
- 2) Was the affidavit filed on or before March 1 of the tax year as required by A.R.S. §42-11153?
☐ Yes ☒ No
- 3) If the affidavit had been filed timely, would the Assessor have granted the exemption?
☒ Yes ☐ No
- 4) If the answer to Number 3 is "No", why was the exemption denied?
☐ The required ownership of the property was not in effect during the time period required by statute.
☐ The property was not being used for the exempt purpose during the time period required by statute.
☐ The requesting church, educational or library property did not furnish the required documents requested by the Assessor at the time of application per A.R.S. §42-11152(3)&(B)
☐ Other:

Completed by: Maria L Acedo Date: Oct 25, 2019

c: Honorable Bill Staples, Pima County Assessor



Saint Philip's IN THE HILLS

4440 N. Campbell Avenue + P.O. Box 65840 + Tucson, AZ 85728-5840
Phone: (520) 299-6421 + Fax: (520) 299-0712 + Email: office@stphilipstucson.org

October 22, 2019

Julie Castañeda
Clerk of the Board
Pima County Board of Supervisors
130 West Congress Street
Tucson, AZ 85701

Dear Ms. Castañeda:

Subject: Relief from Property Tax 2019

I'm writing to respectfully request relief from Property Taxes in 2019. We failed to submit proper documentation to the county assessor this year. To my knowledge, this is the first time that has happened in our 80+ years.

To be in this position is both concerning and humbling. I'm afraid keeping our exemption current is something that slipped through the cracks with changes in staff since last year. Extra care will be taken to ensure it doesn't happen again. We have no desire to create extra work for our county officials nor to disrupt the church's ministry.

I have attached:

- Articles of Incorporation
- Letter of Determination from the IRS
- our most recent audited financial statements
- By-laws
- Questionnaire for Property Tax Exemption
- Affidavit for Organizational Tax Exemption
- 3 documents: weekly Sunday bulletin, Sunday announcements, and 2020 pledge form to illustrate that we are indeed a church

If any additional information is required, I'll be happy to provide it.

Sincerely,

Lois J Britton, Director of Operations & Finance

C90
OCT 22 19 46 PC D KCFR

Aileen Padilla

From: Lois Britton <brittonl@stphilipstucson.org>
Sent: Tuesday, October 22, 2019 4:30 PM
To: COB_mail
Subject: Relief of property taxes for 2019
Attachments: St Philips Tax Exempt.pdf; SPHC 2014 Audited FS.pdf; 2020 pledge form.pdf; Sunday announcements.pdf; Sunday bulletin.pdf; By-Laws 12-14-2017 Final.pdf; St Philip's Articles of Incorporation.pdf; St Philip's Affidavit.pdf; St. Philip's Questionnaire.pdf; clerk of board tax letter.docx

Categories: Yellow Category

This message and sender come from outside Pima County. If you did not expect this message, proceed with caution. Verify the sender's identity before performing any action, such as clicking on a link or opening an attachment.

Dear Ms. Castañeda:

I visited your office at the end of last week and completed a document which I left with your staff. I had to return to the church to find additional items to accompany our request for relief from property taxes in 2019. If any additional information is needed please let me know.

Sincerely,

Lois J Britton
Director of Finance & Operations
Saint Philip's In The Hills Episcopal Church
4440 N Campbell Ave, Tucson, AZ 85718
PO Box 65840, Tucson, AZ 85728
520.299.6421, ext. 39
Gathered in Love + Transformed by Grace + Sent to Serve



CEP
OCT 22 15:04:43 PC Q K OF RM

2019

Pursuant to A.R.S. §§ 42-11101 through 42-11155

Mailing Address:

| |
|---|
| CONTACT INFORMATION (Address if different than Applicant) |
| NAME: Lois Britton |
| ADDRESS: PO Box 65840 |
| CITY: Tucson STATE: AZ ZIP CODE: 85728 |
| TELEPHONE # FOR APPLICANT: 520-299-6421 ext. 39 |
| Contact Email: lois.britton@stphilipstucson.org |
| NOTES: |
| |
| |

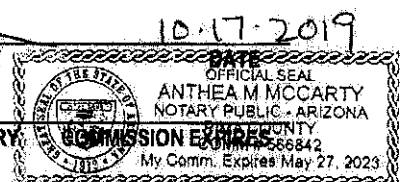
| | | | |
|-------------------------|-------------------------------------|-------------------------|--------------------------|
| RELIGIOUS ORGANIZATION | <input checked="" type="checkbox"/> | NON-PROFIT ORGANIZATION | <input type="checkbox"/> |
| CHARITABLE ORGANIZATION | <input type="checkbox"/> | EDUCATIONAL PROPERTY | <input type="checkbox"/> |
| VETERANS ORGANIZATION | <input type="checkbox"/> | CEMETERY | <input type="checkbox"/> |
| OTHER (SPECIFY TYPE) | <input type="checkbox"/> | | <input type="checkbox"/> |

[illegible]

I HEREBY CERTIFY UNDER PENALTY OF PERJURY THAT I HAVE
READ OVER THE FOREGOING FACTS BEFORE SUBSCRIBING MY
NAME HERETO AND THAT ALL MATTERS HEREIN STATED ARE
TRUE TO THE BEST OF MY KNOWLEDGE.

x Louis J. Brutto
PROPERTY OWNER / AGENT

Andrea M. Mcerty
DEPUTY ASSESSOR / NOTARY



NON-PROFIT AND RELIGIOUS ORGANIZATIONS
Property Tax Information and Questionnaire form

QUESTIONNAIRE FOR PROPERTY TAX EXEMPTION
ALL QUESTIONS MUST BE ANSWERED TO BE CONSIDERED FOR EXEMPTION

1. Name & Address of Organization:
St Philips In The Hills Episcopal Church, Inc.
P.O. Box 16840
Tucson, AZ 85728
2. Under which section of Title 42, Chapter 11, Article 3 does your organization claim exemption? 42-11109
(Arizona Revised Statutes can be found at: www.azleg.gov)
3. Are there any type of business activities such as snack bars, cafés or restaurants operating on the premises? Yes ☐ No ☒
4. Is the organization exempt from Federal and/or State income taxes?
Yes ☒ No ☐
5. Is the Organization a 501 (C)? Yes ☒ which type (3)-church No ☐
5. Give day, month, and year deed/title was acquired by applicant.
Day 5 Month Feb Year 1939 ①
6. Claimant is: Owner/Operator ☒ Owner only ☐ Operator only ☐
7. Exemption is claimed on:
All land ☒ Buildings & Improvements ☒ Personal Property ☒
8. Is any portion of the property used as a place of residence? Yes ☒ No ☐
If yes, state number of individuals occupying the premises and the duration of the occupancy. 1 person on campus for church security.
9. Does applicant receive any income? (other than free will offerings in connection with this property) Yes ☒ No ☐ Lease - see #10.
10. Is any portion of the property being leased or rented to a non-profit and/or a for-profit organization(s)? Yes ☒ No ☐ If yes, please list the name(s) of the organization(s) The Beginning School. They use some classrooms during the day. Use by the church evenings + weekends.
11. List date of occupancy: Month Dec. Day 23 Year 1936 ①

① Based on info from our volunteer activist. Best info available.



Pima County Board of Supervisors

PETITION FOR REDEMPTION OF PROPERTY TAX EXEMPTION WAIVER Pursuant to A.R.S. §42-11153(B) and BOS Policy C4.3

Date: 10.17.2019

TAX YEAR: 2019

Name and Address of Applicant:

Britten Lois
Last Name First Name

4440 N Campbell Ave. Tucson AZ 85718
Address City State Zip

Mailing address, if different from above:

P.O. Box 65840 Tucson AZ 85718
Address City State Zip

520-299-6421 ext. 39 lois.britten@stphilipstucson.org
Phone Number Email Address

Clerk of the Board of Supervisors
Pima County, Arizona

Parcel/Roll Number or License: Book 108 Map 23 Parcel 079E

Exemption type: Personal: (select one) ☐ Disabled ☐ Widow/Widower

☒ Non-Profit Organization St. Philip's In The Hills Episcopal Church
Name of Organization

My affidavit for property tax exemption was not filed before the March 1st deadline.

This is a request that the waiver of the property tax exemption be redeemed by the Pima County Board of Supervisors under A.R.S. §42-11153(B). **NOTE: If taxes have become due, this application will not be processed and is hereby denied in conformance with Statute A.R.S. §42-11153(B) and Pima County Board of Supervisors Policy C4.3.**

Signed,

Lois J. Britton

Please return this form to:
Pima County Clerk of the Board of Supervisors
130 W. Congress St., 5th Floor
Tucson, AZ 85701
or
Email to: COB_mail@pima.gov

Clerk of the Board's Use Only

Approved at the Board of Supervisor's Meeting:

Date: _____

Clerk's Signature: _____

This Approved redemption waiver should be included with your application to the Assessor's Office.

THE
Episcopal
CHURCH

January 20, 2012

To whom it may concern:

The Protestant Episcopal Church in the United States of America, also known as the Episcopal Church, whose federal tax identification number is 31-1629166, is an unincorporated association that has since the 1940s continuously enjoyed an explicit federal "group" tax-exemption under the Internal Revenue Code. The Church's status is currently reflected in its listing in the IRS Cumulative List of Tax Exempt Organizations, p. 2538 (2003 ed.) (note the Code "1" in the listing denoting group exemption).

The Church's Group Exemption Number is GEN. No. 3741.

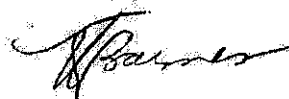
This exemption covers the Episcopal Church and those of its "Dioceses in the U.S. and Institutions Thereof" that elect to come under the group exemption, even though the latter are not separately listed in the Cumulative List.

According to our records, the following organization is covered by this exemption:

St. Philips in the Hills
4440 North Campbell Avenue
Tucson, AZ 85718

Employer Identification Number: 86-0124188

Sincerely yours,



N. Kurt Barnes
Treasurer

Internal Revenue Service

**Department of the Treasury
P.O. Box 2508
Cincinnati, OH 45201**

Date: August 5, 2003

**Protestant Episcopal Church in the
United States of America
Episcopal Church
815 2nd Ave.
New York, NY 10017-4503**

Person to Contact:

**Ms. Smith #31-07262
Contact Representative**

Toll Free Telephone Number:

**8:00 A.M. to 6:30 P.M. EST
877-829-5500**

Fax Number:

513-263-3756

Federal Identification Number:

31-1629166

Group Exemption Number:

3741

Dear Sir or Madam:

This is in response to your request of August 5, 2003 regarding a copy of your organization's group exemption letter.

In January 1940 we issued a determination letter that recognized your organization as exempt from federal income tax. Our records indicate that your organization is currently exempt under section 501(c)(3) of the Internal Revenue Code.

Based on the information submitted, we recognized the subordinates named on the list your organization supplied as exempt from federal income tax under section 501(c)(3) of the Code. Also, we classified those subordinates as organizations that are not private foundations because they are organizations of the type described in sections 509(a)(1) and 170(b)(1)(A)(i) of the Code.

Donors may deduct contributions to your organization's subordinates as provided in section 170 of the Code. Bequests, legacies, devises, transfers or gifts to the subordinates or for their use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Your organization and its subordinates are not required to file federal income tax returns unless subject to the tax on unrelated business income under section 511 of the Code. If subject to this tax, the organization must file an income tax return on Form 990-T, *Exempt Organization Business Income Tax Return*. In this letter, we are not determining whether any of your organization or its subordinates' present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

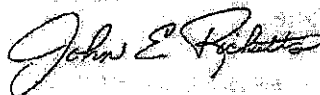
Unless specifically excepted, your organization and its subordinates are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid each employee during a calendar year. This does not apply, however, if your organization makes or has made a timely election under section 3121(w) of the Code to be exempt from such tax. Your organization and its subordinates are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Protestant Episcopal Church in the United States of America
31-1629166

Section 6104 of the Internal Revenue Code requires organizations that received recognition of exemption on July 15, 1987, or later, to make available for public inspection a copy of the exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. Organizations that received recognition of exemption before July 15, 1987, and had a copy of their exemption application on July 15, 1987, are also required to make available for public inspection a copy of the exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. For additional information on disclosure requirements, please refer to Internal Revenue Bulletin 1999 - 17.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



John E. Ricketts, Director, TE/GE
Customer Account Services

**SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC.,
AND SAINT PHILIP'S PRESERVATION
AND ENDOWMENT FOUNDATION, INC.**

**Audited Combined Financial Statements
and Supplementary Information**

For the years ended December 31, 2014 and 2013

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC.
AND SAINT PHILIP'S PRESERVATION
AND ENDOWMENT FOUNDATION, INC.

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LUDWIG KLEWER & CO. PLLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Rector, Wardens and Vestry
Saint Philip's in the Hills Episcopal Church, Inc. and
To the Board of Directors
Saint Philip's Preservation and Endowment Foundation, Inc.

We have audited the accompanying combined financial statements of Saint Philip's in the Hills Episcopal Church, Inc. (Church) and Saint Philip's Preservation and Endowment Foundation, Inc. (both nonprofit organizations), (collectively the Organization), which comprise the combined statements of financial position as of December 31, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the principles authorized by the General Convention of the Episcopal Church and its Canons; 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Saint Philip's in the Hills Episcopal Church, Inc. and Saint Philip's Preservation and Endowment Foundation, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with the principles authorized by the General Convention of the Episcopal Church and its Canons.

Chris Wm. Ludwig, CPA Julie S. Klewer, CPA, MBA Eric S. Rudner, CPA

4783 East Camp Lowell Drive Tucson, Arizona 85712
telephone 520 545 0500 facsimile 520 545 0555 www.ludwigklewer.com

INDEPENDENT AUDITOR'S REPORT, Continued

Emphasis of Matter

As described in Note 2, the financial statements of the Church were prepared in accordance with the principles authorized by the General Convention of the Episcopal Church and its Canons. The Church financial statements do not provide an allowance for the depreciation of buildings and equipment. Accordingly, the combined financial statements are not intended to be presented in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on pages 16 through 23 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

LUDWIG KLEWER & CO. PLLC

May 9, 2017

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS

| | <u>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|
| Current assets: | | |
| Cash | \$ 836,557 | \$ 649,009 |
| Unconditional promises to give, net | 985,405 | 874,839 |
| Other receivable | 2,575 | 10,230 |
| Investments | <u>3,244,439</u> | <u>3,058,878</u> |
| Total current assets | 5,068,976 | 4,592,956 |
| Charitable remainder unitrust | 49,849 | 49,849 |
| Beneficial interests in perpetual trust funds | 168,682 | 168,682 |
| Property and equipment | 6,821,153 | 6,781,211 |
| Other assets | <u>109,788</u> | <u>102,726</u> |
| Total assets | <u>\$ 12,218,448</u> | <u>\$ 11,695,424</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 53,329 | \$ 47,186 |
| Deferred revenue | 10,525 | 11,475 |
| Capital lease payable, current portion | <u>35,161</u> | <u>35,099</u> |
| Total current liabilities | 99,015 | 93,760 |
| Capital lease payable, non-current portion | <u>371,972</u> | <u>407,133</u> |
| Total liabilities | 470,987 | 500,893 |
| Net assets: | | |
| Unrestricted | 8,528,178 | 8,345,910 |
| Temporarily restricted | 2,799,676 | 2,669,068 |
| Permanently restricted | <u>419,607</u> | <u>179,553</u> |
| Total net assets | <u>11,747,461</u> | <u>11,194,531</u> |
| Total liabilities and net assets | <u>\$ 12,218,448</u> | <u>\$ 11,695,424</u> |

See independent auditor's report
and notes to the combined financial statements.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINED STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|----------------------|
| Revenue and support: | | | | |
| Contributions and other support | \$ 1,200,796 | \$ 558,104 | \$ 240,054 | \$ 1,998,954 |
| Investment income, net | 168,744 | - | - | 168,744 |
| General offerings | 156,389 | - | - | 156,389 |
| Income from health ministry classes | 59,636 | - | - | 59,636 |
| Other income | 58,181 | - | - | 58,181 |
| Rental income | 53,500 | - | - | 53,500 |
| Sale of niches | - | 24,700 | - | 24,700 |
| Use of facilities - other | 19,055 | - | - | 19,055 |
| Use of facilities - weddings and memorials | 10,450 | - | - | 10,450 |
| Little shop | 2,000 | - | - | 2,000 |
| Net assets released from restrictions: | | | | |
| Satisfaction of donor restrictions | 452,196 | (452,196) | - | - |
| Total revenue and support | 2,180,947 | 130,608 | 240,054 | 2,551,609 |
| Expenses: | | | | |
| Program services: | | | | |
| Clergy and parish compensation | 485,781 | - | - | 485,781 |
| Music ministries | 330,583 | - | - | 330,583 |
| Diocesan support | 224,923 | - | - | 224,923 |
| Outreach | 145,201 | - | - | 145,201 |
| Youth programs | 93,517 | - | - | 93,517 |
| Health ministries | 45,196 | - | - | 45,196 |
| Education | 36,902 | - | - | 36,902 |
| Worship | 14,080 | - | - | 14,080 |
| Columbarium niches | 8,144 | - | - | 8,144 |
| Weddings and memorials | 6,352 | - | - | 6,352 |
| Fellowship | 1,015 | - | - | 1,015 |
| Total program expenses | 1,391,694 | - | - | 1,391,694 |
| Administrative and support expenses | 606,985 | - | - | 606,985 |
| Total expenses | 1,998,679 | - | - | 1,998,679 |
| Change in net assets | 182,268 | 130,608 | 240,054 | 552,930 |
| Net assets, beginning of year | 8,345,910 | 2,669,068 | 179,553 | 11,194,531 |
| Net assets, end of year, reclassified | \$ 8,528,178 | \$ 2,799,676 | \$ 419,607 | \$ 11,747,461 |

See independent auditor's report
and notes to the combined financial statements.

**SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.**

**COMBINED STATEMENT OF ACTIVITIES
For the year ended December 31, 2013**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|----------------------|
| Revenue and support: | | | | |
| Contributions and other support | \$ 1,168,347 | \$ 590,633 | \$ - | \$ 1,758,980 |
| Investment income, net | 258,892 | - | - | 258,892 |
| General offerings | 153,590 | - | - | 153,590 |
| Income from health ministry classes | 61,647 | - | - | 61,647 |
| Rental income | 52,750 | - | - | 52,750 |
| Other income | 23,709 | - | - | 23,709 |
| Gain on beneficial interests in trusts | - | - | 22,929 | 22,929 |
| Sale of columbarium niches | - | 22,050 | - | 22,050 |
| Use of facilities - other | 20,085 | - | - | 20,085 |
| Use of facilities - weddings and memorials | 12,475 | - | - | 12,475 |
| Little shop | 8,500 | - | - | 8,500 |
| Net assets released from restrictions: | | | | |
| Satisfaction of donor restrictions | 867,641 | (867,641) | - | - |
| Total revenue and support | 2,627,636 | (254,958) | 22,929 | 2,395,607 |
| Expenses: | | | | |
| Program services: | | | | |
| Clergy and parish compensation | 489,406 | - | - | 489,406 |
| Music ministries | 253,449 | - | - | 253,449 |
| Diocesan support | 217,026 | - | - | 217,026 |
| Outreach | 114,123 | - | - | 114,123 |
| Worship | 53,247 | - | - | 53,247 |
| Education | 49,464 | - | - | 49,464 |
| Health ministries | 38,841 | - | - | 38,841 |
| Youth programs | 24,128 | - | - | 24,128 |
| Columbarium niches | 12,650 | - | - | 12,650 |
| Weddings and memorials | 10,051 | - | - | 10,051 |
| Fellowship | 2,442 | - | - | 2,442 |
| Total program expenses | 1,264,827 | - | - | 1,264,827 |
| Administrative and support expenses | 701,948 | - | - | 701,948 |
| Total expenses | 1,966,775 | - | - | 1,966,775 |
| Change in net assets | 660,861 | (254,958) | 22,929 | 428,832 |
| Net assets, beginning of year | 7,685,049 | 2,924,026 | 156,624 | 10,765,699 |
| Net assets, end of year, reclassified | \$ 8,345,910 | \$ 2,669,068 | \$ 179,553 | \$ 11,194,531 |

See independent auditor's report
and notes to the combined financial statements.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

| | 2014 | 2013 |
|--|-------------|-------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 552,930 | \$ 428,832 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Allowance for uncollectible unconditional promises to give | 5,818 | 3,295 |
| Realized and unrealized gain on investments | (124,408) | (220,220) |
| Dividends and interest reinvested | (73,102) | (67,221) |
| Gain on beneficial interest in perpetual trusts | - | (15,532) |
| Gain on interest in charitable remainder unitrust | - | (7,398) |
| Change in operating assets and liabilities: | | |
| Unconditional promises to give | (116,384) | (65,940) |
| Other receivable | 7,655 | 3,647 |
| Other assets | (7,062) | (11,371) |
| Accounts payable and accrued expenses | 6,143 | 6,810 |
| Deferred revenue | (950) | 6,400 |
| Total adjustments | (302,290) | (367,530) |
| Net cash provided by operating activities | 250,640 | 61,302 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (39,942) | (146,732) |
| Purchases of investments | (1,794,823) | (2,518,940) |
| Proceeds from sales of investments | 1,806,772 | 2,670,359 |
| Net cash (used in) provided by investing activities | (27,993) | 4,687 |
| Cash flows from financing activities: | | |
| Payments made on capital lease | (35,099) | (35,021) |
| Net cash used in financing activities | (35,099) | (35,021) |
| Change in cash | 187,548 | 30,968 |
| Cash, beginning of year | 649,009 | 618,041 |
| Cash, end of year | \$ 836,557 | \$ 649,009 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Dividends and interest reinvested | \$ 73,102 | \$ 67,221 |

See independent auditor's report
and notes to the combined financial statements.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

1. Organization

Saint Philip's in the Hills Episcopal Church, Inc. (the Church) was incorporated as a nonprofit Arizona corporation on February 25, 1943. The Church is an incorporated parish of the Episcopal Diocese of Arizona.

St. Philip's Preservation and Endowment Foundation, Inc. (the Foundation) was incorporated September 1994. It was formed exclusively for the benefit of Saint Philip's in the Hills Episcopal Church, Inc. The majority of the governing board of St. Philip's Preservation and Endowment Foundation, Inc. is appointed by St. Philip's in the Hills Episcopal Church, Inc.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Church have been prepared on the accrual basis of accounting in accordance with the principles authorized by the General Convention of the Episcopal Church and its Canons. The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying combined financial statements include the accounts of the Church and the Foundation (collectively referred to as the Organization). Each entity maintains its own net assets. Inter-organization transactions and balances have been eliminated.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted and permanently restricted) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets includes \$313,463 and \$251,977 as of December 31, 2014 and 2013, respectively, that have been designated by the Vestry for specific purposes.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Permanently restricted net assets are comprised of a donor-restricted endowment fund and the Church's interests in perpetual trust funds.

Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

2. Summary of Significant Accounting Policies Continued

Cash

Cash and cash equivalents consist of cash held in checking and money market accounts. Cash is maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization has not experienced any losses related to its cash deposits. The risk is managed by maintaining all deposits in high-quality financial institutions. There are no cash equivalents at December 31, 2014 and 2013.

Unconditional Promises to Give

The Church records unconditional promises to give and contribution revenue when the donor makes an unconditional promise to give. Unconditional promises to give in the amount of \$985,405 and \$874,839 at December 31, 2014 and 2013, respectively, represent amounts pledged for the year ended December 31, 2015 and 2014 net of an allowance for uncollectible unconditional promises to give of \$51,863 and \$46,045, respectively.

Property and Equipment

The Church's policy, consistent with the accounting principles adopted by the General Convention of the Episcopal Church, is to capitalize real estate, long-lived furniture and fixtures, and fine art at cost, or at appraised or insured value at the time each asset was capitalized. The items so capitalized are not depreciated in accordance with the Canons.

Expenditures for exhaustible assets are included in expenses in the year of disbursement.

Investments

The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the combined statement of financial position. Unrealized gains and losses are included in the change in net assets.

Contributed Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Income Taxes

The Church is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Arizona Revenue Revised Statutes section 43-1201(4).

The Foundation is a non-profit organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from Arizona income tax under Arizona Revised Statute Section 43-1201(4). The Foundation is classified as other than a private foundation under Section 509(a)(1) and 170(b)(1)(vi) of the Internal Revenue Code.

See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

2. Summary of Significant Accounting Policies, Continued

Income Taxes, continued

The Foundation's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2014, management of the Foundation is not aware of any uncertain tax positions that are potentially material.

Use of Estimates

The preparation of financial statements in conformity with the principles authorized by the General Convention of the Episcopal Church and its Canons and accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items from 2013 have been reclassified to conform to the 2014 financial statement presentation.

3. Concentration Risk

The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. Investments held by some institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. The Organization's investments are on deposit at a brokerage institutions that provide additional insurance above SIPC limits. This additional protection becomes available in the event that SIPC limits are exhausted or in lieu of SIPC coverage. It is the opinion of Vestry and the Board that the solvency of the referenced financial institutions is not of concern at this time. There are no uninsured cash or investment balances at December 31, 2014 and 2013.

4. Investments

Investments, stated at market value, consist of the following at December 31,:

| | 2014 | 2013 |
|--------------------|---------------------|---------------------|
| <u>Investments</u> | | |
| Fixed income | \$ 1,353,524 | \$ 1,411,981 |
| Equities | 1,890,915 | 1,646,897 |
| Total investments | <u>\$ 3,244,439</u> | <u>\$ 3,058,878</u> |

Investment income consists of the following for the years ended December 31,:

| | 2014 | 2013 |
|-----------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 73,997 | \$ 67,870 |
| Net realized and unrealized gains | 124,408 | 220,220 |
| Investment expense | (29,661) | (29,198) |
| Investment income, net | <u>\$ 168,744</u> | <u>\$ 258,892</u> |

See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

5. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2014 and 2013.

- *Fixed income and equities:* Valued at fair value based on national trade listing.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of investment assets measured on a recurring basis at December 31, 2014 are:

| Assets at Fair Value as of December 31, 2014 | | | | |
|---|--------------|------------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed income | \$ 1,353,524 | \$ - | \$ - | \$ 1,353,524 |
| Equities | 1,890,915 | - | - | 1,890,915 |
| Total investments | \$ 3,244,439 | \$ - | \$ - | \$ 3,244,439 |
| Beneficial interest in perpetual trusts | \$ - | \$ 168,682 | \$ - | \$ 168,682 |
| Beneficial interest in charitable remainder trust | \$ - | \$ 49,849 | \$ - | \$ 49,849 |

See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

5. Fair Value Measurements, Continued

Fair values of investment assets measured on a recurring basis at December 31, 2013 are:

| Assets at Fair Value as of December 31, 2013 | | | | |
|---|---------------------|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed Income | \$ 1,411,981 | \$ - | \$ - | \$ 1,411,981 |
| Equities | 1,646,897 | - | - | 1,646,897 |
| Total investments | <u>\$ 3,058,878</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,058,878</u> |
| Beneficial interest in perpetual trusts | \$ - | \$ 168,682 | \$ - | \$ 168,682 |
| Beneficial interest in charitable remainder trust | \$ - | \$ 49,849 | \$ - | \$ 49,849 |

6. Property and Equipment

Property and equipment consists of the following at December 31:

| | 2014 | 2013 |
|-------------------------------------|---------------------|---------------------|
| Buildings and building improvements | \$ 5,882,403 | \$ 5,842,461 |
| Land and land improvements | 385,853 | 385,853 |
| Church organ | 337,589 | 337,589 |
| Fine art and furnishings | 215,308 | 215,308 |
| Total property and equipment | <u>\$ 6,821,153</u> | <u>\$ 6,781,211</u> |

7. Charitable Remainder Unitrust

The Church is the named beneficiary of an unrestricted charitable remainder unitrust established in 1986 by an anonymous donor. The trust is administered by the Presbyterian Foundation and activity, representing the Church's 10% remainder interest, has been reported at the following values provided by the Presbyterian Foundation as of December 31:

| | 2014 | 2013 |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 49,849 | \$ 42,451 |
| Change in present value | - | 7,398 |
| Balance, end of year | <u>\$ 49,849</u> | <u>\$ 49,849</u> |

The change in present value relates primarily to the change in underlying actuarial assumptions used by the Presbyterian Foundation in calculating the present value of the beneficial interest. There was no material change in the beneficial interest as of December 31, 2014.

See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

8. Beneficial Interest in Perpetual Trust Funds

The Church has a beneficial interest in two perpetual trusts held by a third party. The Church recognizes permanently restricted contribution revenue equal to its proportionate share of the fair value of the trust assets upon notification and determination that its right to receive benefits is unconditional. Changes in the fair value of the Church's interest in the trust assets are reflected as gains or losses in the combined statement of activities in the period they occur. There were no significant changes in the fair value of the Church's interest in the trust assets during the year ended December 31, 2014. Distributions received from these trusts are recorded as unrestricted contribution income. The value of the Church's interest in the trusts is \$168,682 at December 31, 2014 and 2013.

9. Capital Lease Payable

The Church is obligated under a capital lease for solar panels installed during the year ended December 31, 2012. The total cost of the solar panels under this lease is \$754,140.

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Technology Credit Corporation (TCC), quarterly payments of approximately \$8,964, including interest through February 2022 at which time a final payment of approximately \$150,000 is due and payable. The quarterly payments are remitted directly by Tucson Electric Power (TEP) to TCC, on behalf of the Church, from the guaranteed annual minimum payments due to the Church from TEP under its renewal energy credits program. | \$ 407,133 | \$ 442,232 |
| Net minimum lease payments | 407,133 | 442,232 |
| Less current portion | (35,161) | (35,099) |
| Capital leases payable, non-current portion | <u>\$ 371,972</u> | <u>\$ 407,133</u> |
| Scheduled future maximum lease payments due under the capital lease as of December 31, 2014 are: | | |
| 2015 | \$ 35,856 | |
| 2016 | 35,856 | |
| 2017 | 35,856 | |
| 2018 | 35,856 | |
| 2019 | 35,856 | |
| Thereafter | <u>231,504</u> | |
| Total lease payments | 410,784 | |
| Less imputed interest | <u>(3,651)</u> | |
| Net minimum lease payments | <u>\$ 407,133</u> | |

See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

10. Net Asset Reclassification

During the year ended December 31, 2014, it was determined that net assets designated by the Church vestry in the amount of \$251,977 had been inadvertently included with temporarily restricted net assets as of December 31, 2013. As a result, unrestricted net assets and temporarily restricted net assets as of December 31, 2013 have been increased and decreased, respectively.

11. Endowment Funds

During the year ended December 31, 2014, the Church's endowment fund was established by a contribution from an individual in the amount of \$240,054. The Church's vestry has interpreted Arizona's version (Titled the "Management of Charitable Funds Act" (the Act)) of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair 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, the Church classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by the Act.

The Church has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment fund while seeking to maintain the original value of any contributions to the endowment assets. Endowment assets include those assets of donor-restricted funds that the Church must hold in perpetuity. Under this policy, as approved by the vestry, the endowment assets are invested with a growth and income style of investing in a portfolio comprised of cash, fixed income securities and equities. Under the spending policy as outlined in the endowment agreement, the Church may distribute up to \$50,000 annually beginning during the year ended December 31, 2015. These funds are intended for use to defray, in part, the cost of the music program. However, the agreement specifies that distributions from the endowment fund are at the sole and absolute discretion of the Church. Based on these terms, investment income is appropriated for expenditure in the year earned, and is, therefore, classified as unrestricted net assets. The balance of endowment funds at December 31, 2014 and 2013 is \$254,054 and \$-0-, respectively. These endowment balances are included with permanently restricted net assets of \$419,607 and \$179,553 at December 31, 2014 and 2013, respectively.

12. Pension Plan

The Church participates in a defined benefit pension plan for the clergy and other personnel, which is administered by the national offices of the Episcopal Church. All full-time employees having at least one year of service are eligible to participate. The benefits are based on years of service and the employee's compensation during the last five years of employment. The policy of the Church is to contribute annually at a rate intended to result in a level percentage of compensation for the covered employees. Contributions are intended to provide not only for benefits attributed to service-to-date, but also for those expected to be earned in the future. The Church contributes 18% of gross salary for eligible clergy and 5% of gross wages plus up to 4% matching contributions for all other eligible employees. Vesting in the plan is immediate for eligible clergy and occurs after one year for other eligible participants. Total pension plan expense for the year ended December 31, 2014 and 2013 was \$72,238 and \$69,064, respectively.

See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

12. Pension Plan, Continued

The Church participates in a national master plan that includes multiple churches. The actuary does not separately present the actuarial present value of vested accumulated plan benefits and plan assets related to participation in the plan for individual churches.

13. Rental Income

The Church leases space to The Beginning School. The lease expires July 31, 2018. Rental income received under this lease agreement during the years ended December 31, 2014 and 2013 was \$53,500 and \$52,750, respectively. Future minimum rental payments to be received at December 31, 2014 are:

| Year ending December 31 | |
|----------------------------|-------------------|
| 2015 | \$ 54,100 |
| 2016 | 54,500 |
| 2017 | 55,100 |
| 2018 | 38,550 |
| | <u>\$ 202,250</u> |

14. Operating Leases

The Church leases office equipment under various operating leases with monthly payment amounts ranging between \$32 and \$1,432 per month and expiration dates ranging between January 2016 and January 2021. Rent expense under these leases was \$10,042 and \$10,107 for the years ended December 31, 2014 and 2013, respectively. Future minimum rental payments at December 31, 2014 are:

| Year ending December 31 | |
|----------------------------|-------------------|
| 2015 | \$ 16,741 |
| 2016 | 22,236 |
| 2017 | 20,305 |
| 2018 | 17,183 |
| 2019 | 17,183 |
| Thereafter | 18,615 |
| | <u>\$ 112,263</u> |

15. Subsequent Events

The Church was unaware of any subsequent events as of May 9, 2017, the date the combined financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

| | Church | P&E Foundation | Eliminating Entries | Combined Totals |
|---|---------------|-------------------|------------------------|--------------------|
| Current assets: | | | | |
| Cash | \$ 652,147 | \$ 184,410 | \$ - | \$ 836,557 |
| Unconditional promises to give, net | 985,405 | - | - | 985,405 |
| Other receivable | 2,575 | - | - | 2,575 |
| Investments | 1,690,902 | 1,553,537 | - | 3,244,439 |
| Total current assets | 3,331,029 | 1,737,947 | - | 5,068,976 |
| Charitable remainder unitrust | 49,849 | - | - | 49,849 |
| Beneficial interests in perpetual trust funds | 168,682 | - | - | 168,682 |
| Property and equipment | 6,821,153 | - | - | 6,821,153 |
| Other assets | 109,788 | - | - | 109,788 |
| Total assets | \$ 10,480,501 | \$ 1,737,947 | \$ - | \$ 12,218,448 |

LIABILITIES AND NET ASSETS

| | | | | |
|--|---------------|--------------|------|---------------|
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 53,329 | \$ - | \$ - | \$ 53,329 |
| Deferred revenue | 10,525 | - | - | 10,525 |
| Capital lease payable, current portion | 35,161 | - | - | 35,161 |
| Total current liabilities | 99,015 | - | - | 99,015 |
| Capital lease payable, non-current portion | 371,972 | - | - | 371,972 |
| Total liabilities | 470,987 | - | - | 470,987 |
| Net assets: | | | | |
| Unrestricted | 6,790,231 | 1,737,947 | - | 8,528,178 |
| Temporarily restricted | 2,799,676 | - | - | 2,799,676 |
| Permanently restricted | 419,607 | - | - | 419,607 |
| Total net assets | 10,009,514 | 1,737,947 | - | 11,747,461 |
| Total liabilities and net assets | \$ 10,480,501 | \$ 1,737,947 | \$ - | \$ 12,218,448 |

Supplementary Information.
See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

| | Church | P&E Foundation | Eliminating Entries | Combined Totals |
|---|---------------|-------------------|------------------------|--------------------|
| Current assets: | | | | |
| Cash | \$ 573,573 | \$ 75,436 | \$ - | \$ 649,009 |
| Unconditional promises to give, net | 874,839 | - | - | 874,839 |
| Other receivables | 10,230 | - | - | 10,230 |
| Investments | 1,517,214 | 1,541,664 | - | 3,058,878 |
| Total current assets | 2,975,856 | 1,617,100 | - | 4,592,956 |
| Charitable remainder unitrust | 49,849 | - | - | 49,849 |
| Beneficial interests in perpetual trust funds | 168,682 | - | - | 168,682 |
| Property and equipment | 6,781,211 | - | - | 6,781,211 |
| Other assets | 102,726 | - | - | 102,726 |
| Total assets | \$ 10,078,324 | \$ 1,617,100 | \$ - | \$ 11,695,424 |

LIABILITIES AND NET ASSETS

| | | | | |
|--|---------------|--------------|------|---------------|
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 47,186 | \$ - | \$ - | \$ 47,186 |
| Deferred revenue | 11,475 | - | - | 11,475 |
| Capital lease payable, current portion | 35,099 | - | - | 35,099 |
| Total current liabilities | 93,760 | - | - | 93,760 |
| Capital lease payable, non-current portion | 407,133 | - | - | 407,133 |
| Total liabilities | 500,893 | - | - | 500,893 |
| Net assets: | | | | |
| Unrestricted | 6,728,810 | 1,617,100 | - | 8,345,910 |
| Temporarily restricted | 2,669,068 | - | - | 2,669,068 |
| Permanently restricted | 179,553 | - | - | 179,553 |
| Total net assets | 9,577,431 | 1,617,100 | - | 11,194,531 |
| Total liabilities and net assets | \$ 10,078,324 | \$ 1,617,100 | \$ - | \$ 11,695,424 |

Supplementary Information.
See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

| | Church | | | | | Eliminating Entries | Combined Totals |
|---|---------------------|---------------------------|---------------------------|----------------------|---------------------|------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Church | P&E Foundation | | |
| Revenue and support: | | | | | | | |
| Contributions and other support | \$ 1,168,963 | \$ 558,104 | \$ 240,054 | \$ 1,968,121 | \$ 30,833 | \$ | \$ 1,998,954 |
| Investment income, net | 70,727 | | | 70,727 | 98,017 | | 168,744 |
| General offerings | 156,389 | | | 156,389 | | | 156,389 |
| Income from health ministry classes | 59,636 | | | 59,636 | | | 59,636 |
| Other income | 58,181 | | | 58,181 | | | 58,181 |
| Rental income | 53,500 | | | 53,500 | | | 53,500 |
| Sale of niches | | 24,700 | | 24,700 | | | 24,700 |
| Use of facilities - other | 19,055 | | | 19,055 | | | 19,055 |
| Use of facilities - weddings and memorials | 10,450 | | | 10,450 | | | 10,450 |
| Little shop | 2,000 | | | 2,000 | | | 2,000 |
| Net assets released from restrictions: | | | | | | | |
| Satisfaction of donor restrictions | 452,196 | (452,196) | | | | | |
| Total revenue and support | 2,052,097 | 130,608 | 240,054 | 2,422,759 | 128,850 | | 2,551,609 |
| Expenses: | | | | | | | |
| Program services: | | | | | | | |
| Clergy and parish compensation | 485,781 | | | 485,781 | | | 485,781 |
| Music ministries | 330,583 | | | 330,583 | | | 330,583 |
| Diocesan support | 224,923 | | | 224,923 | | | 224,923 |
| Outreach | 145,201 | | | 145,201 | | | 145,201 |
| Youth programs | 93,517 | | | 93,517 | | | 93,517 |
| Health ministries | 45,196 | | | 45,196 | | | 45,196 |
| Education | 36,902 | | | 36,902 | | | 36,902 |
| Worship | 14,080 | | | 14,080 | | | 14,080 |
| Columbarium niches | 8,144 | | | 8,144 | | | 8,144 |
| Weddings and memorials | 6,352 | | | 6,352 | | | 6,352 |
| Fellowship | 1,015 | | | 1,015 | | | 1,015 |
| Total program expenses | 1,391,694 | | | 1,391,694 | | | 1,391,694 |
| Administrative and support expenses | | | | | | | |
| | 598,982 | | | 598,982 | 8,003 | | 606,985 |
| Total expenses | 1,990,676 | | | 1,990,676 | 8,003 | | 1,998,679 |
| Change in net assets | 61,421 | 130,608 | 240,054 | 432,083 | 120,847 | | 552,930 |
| Net assets, beginning of year, reclassified | 6,728,810 | 2,669,068 | 179,553 | 9,577,431 | 1,617,100 | | 11,194,531 |
| Net assets, end of year | \$ 6,790,231 | \$ 2,799,676 | \$ 419,607 | \$ 10,009,514 | \$ 1,737,947 | \$ | \$ 11,747,461 |

Supplementary Information.
See independent auditor's report

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2013

| | Church | | | | | P&E Foundation | Eliminating Entries | Combined Totals |
|--|--------------|------------------------|------------------------|--------------|--------------|----------------|---------------------|-----------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Church | | | | |
| Revenue and support: | | | | | | | | |
| Contributions and other support | \$ 1,214,628 | \$ 590,633 | \$ - | \$ 1,805,261 | \$ 72,785 | \$ (119,066) | \$ 1,758,980 | |
| Investment income, net | 70,419 | - | - | 70,419 | 188,473 | - | 258,892 | |
| General offerings | 153,590 | - | - | 153,590 | - | - | 153,590 | |
| Income from health ministry classes | 61,647 | - | - | 61,647 | - | - | 61,647 | |
| Rental income | 52,750 | - | - | 52,750 | - | - | 52,750 | |
| Other income | 23,709 | - | - | 23,709 | - | - | 23,709 | |
| Gain on beneficial interests in trusts | - | - | 22,929 | 22,929 | - | - | 22,929 | |
| Sale of columbarium niches | - | 22,050 | - | 22,050 | - | - | 22,050 | |
| Use of facilities - other | 20,085 | - | - | 20,085 | - | - | 20,085 | |
| Use of facilities - weddings and memorials | 12,475 | - | - | 12,475 | - | - | 12,475 | |
| Little shop | 8,500 | - | - | 8,500 | - | - | 8,500 | |
| Net assets released from restrictions: | | | | | | | | |
| Satisfaction of donor restrictions | 867,841 | (867,841) | - | - | - | - | - | |
| Total revenue and support | 2,485,444 | (254,958) | 22,929 | 2,253,415 | 261,258 | (119,066) | 2,395,607 | |
| Expenses: | | | | | | | | |
| Program services: | | | | | | | | |
| Clergy and parish compensation | 489,406 | - | - | 489,406 | - | - | 489,406 | |
| Music ministries | 253,449 | - | - | 253,449 | - | - | 253,449 | |
| Diocesan support | 217,026 | - | - | 217,026 | - | - | 217,026 | |
| Outreach | 114,123 | - | - | 114,123 | - | - | 114,123 | |
| Worship | 53,247 | - | - | 53,247 | - | - | 53,247 | |
| Education | 49,464 | - | - | 49,464 | - | - | 49,464 | |
| Health ministries | 38,841 | - | - | 38,841 | - | - | 38,841 | |
| Youth programs | 24,128 | - | - | 24,128 | - | - | 24,128 | |
| Columbarium niches | 12,650 | - | - | 12,650 | - | - | 12,650 | |
| Weddings and memorials | 10,051 | - | - | 10,051 | - | - | 10,051 | |
| Fellowship | 2,442 | - | - | 2,442 | - | - | 2,442 | |
| Total program expenses | 1,264,827 | - | - | 1,264,827 | - | - | 1,264,827 | |
| Administrative and support expenses | 696,834 | - | - | 696,834 | 124,180 | (119,066) | 701,948 | |
| Total expenses | 1,961,661 | - | - | 1,961,661 | 124,180 | (119,066) | 1,966,775 | |
| Change in net assets | 523,783 | (254,958) | 22,929 | 291,754 | 137,078 | - | 428,832 | |
| Net assets, beginning of year | 6,205,027 | 2,924,026 | 156,624 | 9,285,677 | 1,480,022 | - | 10,765,699 | |
| Net assets, end of year, reclassified | \$ 6,728,810 | \$ 2,669,068 | \$ 179,553 | \$ 9,577,431 | \$ 1,617,100 | \$ - | \$ 11,194,531 | |

Supplementary Information.
See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINING SCHEDULE OF ADMINISTRATIVE AND SUPPORT EXPENSES
For the year ended December 31, 2014

| | Church | P&E Foundation | Eliminating Entries | Combined Totals |
|---|-------------------|-------------------|------------------------|--------------------|
| Support staff compensation | \$ 189,549 | \$ - | \$ - | \$ 189,549 |
| Employee health insurance | 37,766 | - | - | 37,766 |
| Retirement plan | 22,747 | - | - | 22,747 |
| Total compensation and related benefits | 250,062 | - | - | 250,062 |
| Contributions to Church | - | - | - | - |
| Building and grounds maintenance | 139,169 | - | - | 139,169 |
| Equipment | 47,634 | - | - | 47,634 |
| Miscellaneous | 40,480 | 118 | - | 40,598 |
| Utilities | 35,878 | - | - | 35,878 |
| Printing and postage | 27,006 | - | - | 27,006 |
| Legal and professional | 28,621 | 6,885 | - | 35,506 |
| Insurance | 11,579 | 1,000 | - | 12,579 |
| Supplies | 5,967 | - | - | 5,967 |
| Telephone | 10,232 | - | - | 10,232 |
| Vehicle expense | 2,354 | - | - | 2,354 |
| | <u>\$ 598,982</u> | <u>\$ 8,003</u> | <u>\$ -</u> | <u>\$ 606,985</u> |

Supplementary Information
See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINING SCHEDULE OF ADMINISTRATIVE AND SUPPORT EXPENSES
For the year ended December 31, 2013

| | Church | P&E Foundation | Eliminating Entries | Combined Totals |
|---|-------------------|-------------------|------------------------|--------------------|
| Support staff compensation | \$ 182,949 | \$ - | \$ - | \$ 182,949 |
| Employee health insurance | 37,928 | - | - | 37,928 |
| Retirement plan | 23,400 | - | - | 23,400 |
| Total compensation and related benefits | 244,277 | - | - | 244,277 |
| Contributions to Church | - | 119,066 | (119,066) | - |
| Building and grounds maintenance | 238,850 | - | - | 238,850 |
| Equipment | 59,543 | - | - | 59,543 |
| Miscellaneous | 46,587 | - | - | 46,587 |
| Utilities | 35,797 | - | - | 35,797 |
| Printing and postage | 29,281 | - | - | 29,281 |
| Legal and professional | 14,300 | 4,024 | - | 18,324 |
| Insurance | 12,514 | 1,090 | - | 13,604 |
| Supplies | 8,304 | - | - | 8,304 |
| Telephone | 6,258 | - | - | 6,258 |
| Vehicle expense | 1,123 | - | - | 1,123 |
| | <u>\$ 696,834</u> | <u>\$ 124,180</u> | <u>\$ (119,066)</u> | <u>\$ 701,948</u> |

Supplementary Information
See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINED SCHEDULE OF CERTAIN PROGRAM EXPENSES
For the year ended December 31, 2014

| | Clergy and Parish Compensation | Music Ministries | Education | Combined Totals |
|----------------------|--------------------------------------|---------------------|------------------|--------------------|
| Staff salaries | \$ 380,070 | \$ 117,643 | \$ 15,447 | \$ 513,160 |
| Supplies | - | 81,810 | 13,076 | 94,886 |
| Health Insurance | 48,193 | 20,206 | 106 | 68,505 |
| Pension | 41,783 | 7,708 | - | 49,491 |
| Miscellaneous | 590 | 43,344 | 2,817 | 46,751 |
| Contract services | - | 45,315 | - | 45,315 |
| Payroll taxes | 10,907 | 11,367 | 1,518 | 23,792 |
| Continuing education | 4,238 | - | 1,398 | 5,636 |
| Workers compensation | - | 1,392 | 1,680 | 3,072 |
| Honorariums | - | 1,799 | 860 | 2,659 |
| | <u>\$ 485,781</u> | <u>\$ 330,584</u> | <u>\$ 36,902</u> | <u>\$ 853,267</u> |

Supplementary Information
See independent auditor's report.

SAINT PHILIP'S IN THE HILLS EPISCOPAL CHURCH, INC. AND
SAINT PHILIP'S PRESERVATION AND ENDOWMENT FOUNDATION, INC.

COMBINED SCHEDULE OF CERTAIN PROGRAM EXPENSES
For the year ended December 31, 2013

| | Clergy and Parish Compensation | Music Ministries | Education | Combined Totals |
|----------------------|--------------------------------------|---------------------|------------------|--------------------|
| Staff salaries | \$ 385,005 | \$ 81,061 | \$ 26,678 | \$ 492,744 |
| Supplies | - | 96,259 | 1,407 | 97,666 |
| Health insurance | 46,501 | 19,458 | 5,441 | 71,400 |
| Pension | 41,783 | 3,881 | - | 45,664 |
| Contract services | - | 36,856 | 8,196 | 45,052 |
| Payroll taxes | 11,590 | 11,204 | 2,233 | 25,027 |
| Continuing education | 3,626 | 142 | 1,561 | 5,329 |
| Miscellaneous | 901 | 1,041 | 2,334 | 4,276 |
| Honorariums | - | 2,760 | 750 | 3,510 |
| Workers compensation | - | 787 | 864 | 1,651 |
| | <u>\$ 489,406</u> | <u>\$ 253,449</u> | <u>\$ 49,464</u> | <u>\$ 792,319</u> |

Supplementary Information
See independent auditor's report.

Saint Philip's
IN THE HILLS

gathered in love. transformed by grace. sent to serve.

A View @ A Vision

2020 PLEDGE FORM

Pledger's Name(s): _____

☐ Do not print my name. I prefer to remain anonymous.

Mailing Address: _____

☐ This is a new address, please update the parish database.

Best Phone Number: _____ Email: _____

Annual Pledge: \$ _____ ☐ This is an RMD from an IRA

We Prefer to Give: ☐ One Time Per Year ☐ Once per Month ☐ Weekly ☐ Quarterly
please check one

Would you like to have giving envelopes? ☐ Yes ☐ No

Signature: _____

Information on various ways you can make your gift can be found on the reverse of this page.

THIS IS A FAITHFUL SAYING
FOR IF WE
DIED WITH HIM,

*We shall also
live with Him.*

— IF WE ENDURE,
— WE SHALL ALSO

REIGN ^{WITH} HIM.

IF WE
DENY HIM,

HE ALSO WILL
— DENY US. —
IF WE ARE FAITHLESS,

He Remains

FAITHFUL;

FOR HE CANNOT DENY HIMSELF.

II TIMOTHY 2:11-13.

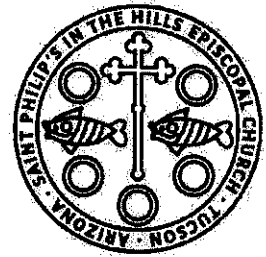
The Eighteenth Sunday after Pentecost
13 October 2019

Saint Philip's in the Hills Episcopal Church
Tucson, Arizona

SP

gathered in love + transformed by grace + sent to serve

Saint Philip's in the Hills Calendar and Announcements: *The Week of Proper XXIII*



WORSHIP AND ACTIVITIES FOR YOUNG PEOPLE

We welcome children in our worship, and we recognize and value the fact that children are wonderfully spontaneous. If you wish, you may make use of the soft space in the West Transept, with an open carpeted area and baskets of soft toys and books (the West Transept is near the front, to the left if you are facing the altar). There is also a more private room, known as the Bride's Room, off of the East Transept, where you may go if you need that type of facility. There is also nursery care available at no charge from 8:30AM until 12:30PM in the Children's Center.

On second Sundays at 9:15AM, we have a special "Comfy Space" service for those who tend to wiggle during worship and those who worship with them, held in the Children's Chapel. During the school year, the Catechesis of the Good Shepherd Atriums are open for Children's Formation (Rooms 6, 7 and 8 in the Children's Center) and Youth Groups meet in La Parroquia at 10:15AM.

COMMUNION

All are welcome to come forward at the time of Communion. The standard practice in the Episcopal Church is that those who are Baptized are welcome to receive Holy Communion. If you are visiting today and are not Baptized but are feeling drawn to receive Communion, we hope that you will come forward and receive, and that afterwards you will talk to one of the clergy about Baptism and what it means both to take Bread and to become part of the Body.

If you don't want to receive communion or are unsure, you are more than welcome to come forward for a blessing, indicated by crossing your arms over your chest.

If you have a food sensitivity that requires a **gluten-free Communion Wafer**, simply mention that to the clergy person administering Communion. The receptacle containing the gluten-free Hosts will be brought to you, and you may help yourself to a Host (to avoid cross-contamination). To receive the Wine, you may either drink from the common Chalice or hold it for the Chalice Minister to intinct for you and place on your tongue. For those who have difficulty approaching the Communion rail, you have the option of **receiving Communion in your seat**. Simply notify an usher, or ask a parishioner seated near you to notify an usher for you.

RESTROOMS

Restrooms are located in the hallway north of the Murphey Gallery, across the Fishpond Garden and up the walkway from the Church. There is a diaper changing table in the gender-neutral ADA-compliant restroom there. Changing tables are also found in both the men's and women's restrooms in the Music Center.

ACCESSIBILITY

This facility is **fully accessible**. Please speak to an usher if you need assistance. The main area of the Church, forward of the choir stalls, is **looped** to assist those who have difficulty hearing. If you have a T-coil in your hearing aid, you may sit anywhere in this section and hear via the amplification system. **Hearing assist devices** are also available from the ushers. These are operational anywhere in the Church. The ushers will ask for your car keys as a reminder to return the device. **Large print copies** of the Book of Common Prayer are available from the ushers for your use during the service.

DAILY OFFICE READINGS

| Monday <i>Samuel Isaac Joseph Schereschewsky</i> | Tuesday <i>Teresa of Avila</i> | Wednesday <i>Hugh Latimer and Nicholas Ridley</i> | Thursday <i>Ignatius</i> | Friday <i>Luke the Evangelist</i> | Saturday <i>Henry Martyn</i> |
|---|---|---|--|--|---|
| Psalms 1, 2, 3; AM Psalms 4, 7; PM Jer. 36:11-26; 1 Cor. 13:1-13; Matt. 10:5-15 | Psalms 5, 6; AM Psalms 10, 11; PM Jer. 36:27-37:2; 1 Cor. 14:1-12; Matt. 10:16-23 | Psalms 119:1-24; AM Psalms 12, 13, 14; AM Jer. 37:3-21; 1 Cor. 14:13-25; Matt. 10:24-33 | Psalms 18:1-20; AM Psalms 18:21-50; PM Jer. 38:1-13; 1 Cor. 14:26-33a, 37-40; Matt. 10:34-42 | Psalms 16, 17; AM Psalms 22; PM Isaiah 52:7-10; Acts 1:1-8; Luke 1:1-4 | Psalms 20, 21; AM Psalms 110, 116, 117; PM 2 Kings 25:8-12, 22-26; 1 Cor. 15:12-29; Matt. 11:7-15 |

AMENDED BY-LAWS OF
ST. PHILIP'S IN THE HILLS EPISCOPAL CHURCH
AN ARIZONA NON-PROFIT ORGANIZATION

ARTICLE I. GENERAL ORGANIZATION

Section I. Members. Qualified members of this corporation shall be all of the communicant members of the congregation as shown by the Church Register, who are over 18 years of age, and who have been current contributors of record. Communicant members shall be those meeting the qualifications of the Constitution and Canons of the Episcopal Diocese of Arizona.

Section II. Organization. St. Philip's In The Hills Church shall function through the Vestry, which is also known as and is identical to the Board of Directors.

Section III. Vestry. It shall be the function of the Vestry to conserve and maintain all property held in the name of this corporation, to maintain adequate insurance upon all such property, to maintain a perpetual inventory of all property of the Church, and to administer all such property in compliance with these By-Laws, the Articles of Incorporation, the laws of the State of Arizona, and with the Constitution and Canons of the National Episcopal Church and the Episcopal Diocese of Arizona. In general, the Vestry shall carry out the will of the members of this corporation in any and all matters involving the purchase of property, real or personal, in accepting gifts, in matters of borrowing money, or in matters of entering into binding contracts for purchase or sale of any property other than usual operating supplies and equipment, and in general to be responsible for all of the business affairs of this corporation, with the exceptions set forth elsewhere in these By-Laws.

Section IV. Advisory Duties of the Vestry. It shall be the function of the Vestry to advise the Rector in the administration of all phases of the Church activities.

Section V. Election of Vestry. The Vestry shall be made up of the Rector, the Senior Warden, the Junior Warden, and nine elected Vestry Members. The number of Vestry Members may be altered from time to time by amendment of these By-Laws, subject to the limitations of the Articles of Incorporation and the Constitution and Canons of The Episcopal Church and of the Episcopal Diocese of Arizona. Three persons shall be elected to regular three-year terms of office on the Vestry at each Annual Meeting of the members of the corporation. He/she must not be elected for a second consecutive three-year term of office and may be re-elected after the passage of one year from the date of the final day of his/her last term. Members of the Vestry (not including the Rector, the Senior Warden or the Junior Warden) are subject to all the restrictions and limitations governing Vestry Members contained in Article III, Section V of these By-Laws.

ARTICLE II. MEETINGS OF MEMBERS

Section I. Annual Meeting of Members. The Annual Meeting of the members of the corporation shall be held at St. Philip's In The Hills Church, Pima County, Arizona, on the third Sunday of January in each calendar year or within one week thereof, for the purpose of electing a Vestry and for the transaction of such other business as may properly be brought before the meeting. It shall be the duty of the Secretary to cause notice of each Annual Meeting to be published by placing a notice of meeting in each of the Sunday Bulletins for the two weeks preceding such meeting and by placing a notice of said meeting in any regular electronic communication St. Philip's sends to each of the members, not less than ten days prior to the date of such Annual Meeting or by a special written notice which shall be mailed to each of the members not less than ten days prior to the date of such Annual Meeting.

Section II. Special Meetings. Special meetings of the members may be held at St. Philip's In the Hills Church, Pima County, Arizona, or at any other suitable place within Pima County,

Arizona, whenever called by the Rector, a Warden, or any two Members of the Vestry. Notice of each special meeting, indicating briefly the subject or subjects thereof, shall be given by placing a notice of meeting in each of the Sunday Bulletins for the two weeks preceding such meeting and by placing a notice of said meeting in any regular electronic communication St. Philip's sends to each of the members, not less than ten days prior to the date of such special meeting, or by a special written notice to all members of this corporation which shall be mailed to each of the members not less than ten days prior to the date of such special meeting.

Section III. Quorum. At any meeting of the members of the corporation, twenty-five members present in person (no proxies shall be allowed) shall constitute a quorum of the members for all purposes, unless the representation of a larger number shall be required by State or Canon law, and, in that event, the presence of the number so required by law shall constitute a quorum. If a sufficient number of members to constitute a quorum shall fail to attend in person at the time and place fixed by these By-Laws for an Annual Meeting or fixed by notice as herein provided for a properly called special meeting, a majority of those present may adjourn, from time to time, without notice other than announcement at the meeting, until sufficient members to constitute a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

Section IV. Organization. The Rector, and in his/her absence, the Senior Warden, and in his/her absence, the Junior Warden, shall call the meeting of the members to order and shall act as Chair of said meeting. The Vestry may appoint any Vestry Member to act as Chair of any meeting in the absence of the Rector, the Senior Warden, and the Junior Warden. The Secretary of the corporation shall act as Secretary at any meeting of the members, and in the absence of the Secretary the presiding officer may appoint any person to act as Secretary of the meeting.

Section V. Voting. At each meeting of the members, every member (as hereinbefore defined) shall be entitled to vote in person, and each such member shall have one vote. The voting upon any question before the meeting upon the demand of any three members shall be by written ballot. A majority vote of a quorum shall decide all issues calling for a vote, except for matters wherein a different vote is called for by the laws of the State of Arizona or the Constitution and Canons of The Episcopal Church or of the Episcopal Diocese of Arizona, in which event the number so specified shall govern. At each meeting of the members of this corporation, the Secretary of the Vestry shall have available a full, true and complete list, in alphabetical order, of all members entitled to vote as determined by Article I, Section I, of these By-Laws.

ARTICLE III. VESTRY

Section I. Rector. The Rector shall be elected in compliance with the Constitution and Canons of the Episcopal Church in the United States of America and the Constitution and Canons of the Episcopal Diocese of Arizona and in no other way.

Section II. Senior Warden. The Senior Warden shall be appointed by the Rector at the Annual Meeting of the members. In the event of a vacancy in the office of Senior Warden, the Rector shall appoint a Senior Warden for the unexpired term of his/her predecessor. The Senior Warden shall be appointed for a term of one year.

Section III. Junior Warden. The Junior Warden shall be elected by a majority vote at the Annual Meeting of the members of the corporation. He/she may be, but need not be, a previously elected member of the Vestry. He/she shall be elected as Junior Warden for a term of one year. In the event the Junior Warden so elected is a previously elected member of the Vestry when elected as Junior Warden, he/she shall cease to be an elected member of the Vestry and his/her election shall thereby create a vacancy on the Vestry.

Section IV. Vacancies.

- a. A vacancy on the Vestry or in the office of Junior Warden may be filled until the next Annual Meeting of the members of the corporation by a majority vote of a quorum at any regular or special Vestry meeting. Notice of intent to so fill a vacancy shall be included in the regular notice of the Vestry of such meeting and into its agenda. At such next Annual Meeting of the members of the corporation a Vestry Member shall be elected to fill out any such still unexpired terms.
- b. A Vestry member absent from four (4) consecutive regular Vestry meetings shall be considered to have vacated the position, and shall be so notified within ten days following the fourth such absence. A member so removed may appeal to the Vestry in writing for reinstatement, and the Vestry shall hear and act upon the appeal at its next regular meeting.

Section V. Vestry. A Vestry Member elected to fill out the balance of an unexpired term of less than three years from the date of the Annual Meeting of the members of the corporation where so elected may succeed him/herself in office in accordance with Article I Section V of these By-Laws. A person appointed to fill a vacancy on the Vestry until the next Annual meeting of the members of the corporation may be either elected to fill out the balance of such unexpired term or elected to a regular term on the Vestry.

Section VI. Qualifications. The qualifications of the Wardens and the Vestry Members shall be determined by the Constitution and Canons of The Episcopal Church in the United States of America and the Canons of the Episcopal Diocese of Arizona. All must be qualified communicant members of this congregation, as defined in Article I, Section I of these By-Laws.

Section VII. Vestry Officers. The Vestry shall elect at its organization meeting, which shall be the first meeting of the Vestry subsequent to the Annual Meeting of the corporation, a Clerk who

shall act as Secretary to the Vestry and a Treasurer of the Vestry. The Secretary shall be a member of the Vestry and the Treasurer may, but need not be, a member of the Vestry.

ARTICLE IV. ORGANIZATION OF THE VESTRY

Section I. President. The Rector shall be the President of the Vestry and shall preside at all meetings of the Vestry, except that in the event of his/her absence, the following officers shall preside in the following order: First Vice President, then Second Vice President. The President shall have the duties customary to such corporate office and such additional duties as may be delegated to him by the Vestry.

Section II. First and Second Vice Presidents. The Senior Warden shall be the First Vice President and the Junior Warden shall be the Second Vice President. Each shall have the customary duties of such corporate offices and such additional duties as may be delegated by the Vestry.

Section III. Other Officers. The Vestry by a vote of a majority of a quorum shall elect a Secretary (also known as a Clerk) and a Treasurer, each of whose term shall be for one year from the date of his/her election and who shall serve until his successor is duly elected and qualified. The Secretary shall be a member of the Vestry and the Treasurer may be a member of the Vestry, but need not be.

Section IV. Place of Regular Meetings. The Vestry shall hold their meetings at St. Philip's In The Hills Church or in such other place or places in the State of Arizona as the Vestry may from time to time determine. The Secretary and The Treasurer shall have their offices and keep the books of the corporation at St. Philip's In The Hills Church, Pima County, Arizona.

Section V Vestry Annual Meeting. The Annual meeting of the Vestry shall be held immediately following the Annual Meeting of the members in each calendar year. No notice shall be required for any such Annual meeting of the Vestry.

Section VI. Special Meetings. Special meetings of the Vestry shall be held whenever called by the President, the First Vice President, the Second Vice President or any two Vestry Members for the time being in office. The Secretary shall give postal and/or electronic written notice of such meeting to each member of the Vestry not less than ten days prior to date of such meeting. At such meeting, any business may be transacted which would normally come before a Vestry or corporate directors meeting, together with special subjects which may be specified as called for by the terms of these By-Laws or by the Articles of Incorporation or by State or Canon law. At any meeting at which all of the Vestry shall be present, even though without any notice, any business of the corporation may be transacted.

Section VII. Quorum. Seven (7) members of the Vestry shall constitute a quorum of the Vestry for the transaction of business, but if at any meeting of the Vestry there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time without the giving of further notice. The Vestry acts by resolution upon a majority vote of those members who attend a meeting in person or by teleconference, videoconference or similar communications equipment by means of which all persons participating in the meeting can communicate with each other. No proxies are permitted on any vote of the members of the Vestry.

Section VIII. Order of Business. At meetings of the Vestry, business shall be transacted in such order as may from time to time be determined by resolution of the Vestry.

Section IX. Subordinate Organization of the Church. The Vestry may establish from time to time various committees, commissions or other forms of organization to conduct the business of the Church, and appoint persons to serve thereon. All such organizations exist at the will of the Vestry, report to and advise the Vestry, and are delegated only such responsibilities and authority as are granted by the Vestry by charter, resolution or other written record.

Section X. Contracts. Inasmuch as the Members of the Vestry of this corporation are persons of diversified business interests and are likely to be connected with other corporations or with partnerships, or other legal entities with which from time to time this corporation must have business dealings, no contract or other transaction between this corporation and any such individual business entity shall be affected by the fact that Members of the Vestry of this corporation are interested in, agents of, directors or officers of such other business entity, if, at the meeting of the Vestry making, authorizing, or confirming such contract or transaction, there shall be present a quorum of Members of the Vestry not so interested; and any Member of the Vestry individually may be party to, or may be interested in, any contract or transaction of this corporation, providing that such contract or transaction shall be approved or ratified by the majority of a quorum of Members of the Vestry not so interested. The Vestry at its discretion may submit any contract or act for approval or ratification at any Annual Meeting of the members of this corporation or at any special meeting of the members called for the purpose of considering any such act or contract; and any contract or act that shall be approved or be ratified by the vote of the majority of a quorum of such members present at such meeting shall be as valid and as binding on the corporation and upon all the members as though it had been approved or ratified by every member of the corporation.

Any transaction involving the alienation, sale or mortgage of Church premises, or alienation, mortgage or sale of any Church property in excess of Two Hundred Thousand Dollars (\$200,000.00) shall be submitted for the approval of the members of this corporation at a regular meeting or at a special meeting called for that purpose before such transaction is completed or a commitment for such transaction is made. The consent of the Bishop of the Episcopal Diocese of Arizona shall be obtained before any real property of this corporation shall be sold or mortgaged or otherwise encumbered, in compliance with the terms of the Canons of said Diocese.

Section XI. Powers and Duties of the President. The President of this corporation shall preside at all meetings of the Vestry at which s/he is present. S/he shall keep the Vestry fully informed and shall freely consult them concerning the business of the corporation in her/his charge and of the affairs of the Parish. S/he may sign and execute all authorized bonds, other obligations or encumbrances, contracts, or conveyances in the name of the corporation. S/he shall do and perform such other duties as from time to time may be assigned to her/him by the Vestry.

Section XII. Powers and Duties of the Vice President. Vice Presidents of this corporation shall preside at any meeting as hereinbefore specified and may execute all bonds, other obligations or encumbrances, contracts, or conveyances in the name of the corporation. They shall do and perform such other duties as may from time to time be assigned by the Vestry.

Section XIII. Powers and Duties of the Treasurer. The Treasurer shall have custody of all the funds of the corporation which may come into his/her hands; when necessary or proper, he/she shall endorse on behalf of the corporation for collection checks, notes and other obligations and shall deposit the same to the credit the corporation in such bank or banks or depositories as the Vestry may designate. S/he shall sign all receipts and vouchers for payments made to the corporation; s/he shall sign authorized checks made by the corporation and shall pay out and dispose of the same under the direction of the Vestry; s/he shall enter regularly in books of the corporation to be kept by him/her for that purpose, a full and accurate account of all monies received and paid by him/her on account of the corporation. S/he shall keep an inventory of all Church property and shall obtain all insurance upon Church property authorized by the Vestry; s/he shall at all reasonable times exhibit books and accounts to any Member of the Vestry of the corporation upon application at the office of the corporation during business hours; and shall perform all acts incident to the office of Treasurer subject to the control of the Vestry. S/he shall give a bond for the satisfactory discharge of his/her duties in such sum as the Vestry may determine.

Section XIV. Powers and Duties of the Secretary. The Secretary (also known as the Clerk) shall keep the minutes of all meetings of the members of this corporation and of the Vestry in the books provided for that purpose. S/he shall attend to the giving or serving of all notices of the corporation. S/he shall have possession of the Seal of the Corporation and, at the direction of Vestry, shall attest the signatures of the President or the Vice Presidents on all corporate documents and shall affix such seal to all contracts, conveyances, bonds, mortgages or other encumbrances authorized by the Vestry; s/he shall have charge of all books and papers of the corporation and the Vestry all of which shall, at all reasonable times be open for the examination of any Member of the Vestry, upon application of the office of the corporation during business hours, s/he shall generally perform all the duties incident to the office of the Secretary, subject to the control of the Vestry. S/he shall keep and maintain an alphabetical list of the members of the corporation in compliance with Article I, Section I of these By-Laws. In the absence of the Secretary at any meeting of the Vestry, a temporary secretary may be appointed by the presiding officer at such meeting. The office of the Secretary and the Treasurer may not be held by one and the same person.

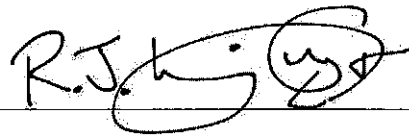
ARTICLE V. AMENDMENTS

Section I. Amendment of the By-Laws. The Vestry shall have the power to make, amend, or rescind the By-Laws of the corporation by vote of a majority of a quorum of the Vestry, at any two successive regular or special meetings of the Vestry, providing that notice of intention to make, amend or rescind the By-Laws in whole or in part shall be given at the next preceding Vestry meeting or by a written postal or electronic notice to all of the Members of the Vestry at their last known addresses at least ten days before the date of said meetings, stating the intention to propose such amendments. The members of this corporation shall have the power to make, amend, or rescind the By-Laws of this corporation by vote of a majority of a quorum of members at any

regular Annual Meeting, or at a special meeting called for that purpose, provided that notice of intention to make, amend, or rescind the By-Laws of this corporation shall have been given by announcement in each of the Sunday Bulletins for the two weeks preceding such meeting and by placing a notice of said meeting in any regular electronic communication St. Philip's sends to each of the members, not less than ten days prior to the date of such special meeting, or by a written note to all members of this corporation, mailed not less than ten days prior to such special meeting, to their last known addresses.

DATED: June 15, 2016

We, the duly authorized officers of St. Philip's In The Hills Episcopal Church, do hereby certify that these Amended By-Laws adopted by the Vestry, effective the date shown above.

A handwritten signature in black ink, appearing to read "R. J. Johnson", is written over a horizontal line.

President (Rector)

Secretary

ARTICLES OF INCORPORATION

OF

ST. PHILIP'S IN THE HILLS PROTESTANT EPISCOPAL CHURCH

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, have this day associated ourselves together for the purpose of organizing a religious non-profit corporation under the laws of the State of Arizona, and for that purpose hereby adopt ARTICLES OF INCORPORATION as follows:

ARTICLE I.

The name of this corporation shall be ST. PHILIP'S IN THE HILLS PROTESTANT EPISCOPAL CHURCH, and its principal place of business shall be in Pima County, Arizona.

ARTICLE II.

The date of the commencement of this corporation shall be the date on which a copy of these Articles of Incorporation, duly certified by the Arizona Corporation Commission, are filed in the office of the County Recorder of Pima County, Arizona and shall continue for a period of twenty-five (25) years thereafter, with the right of perpetual succession.

ARTICLE III.

The purposes of this corporation shall be, The Worship of God, Christian Instruction, and the Administration of the Sacraments and other Rites and Ceremonies of the Church according to the use of the Protestant Episcopal Church in the United States of America, and for the purposes of taking over and acquiring the ownership of all assets of every kind and character, either real, personal or mixed of ST. PHILIP'S IN THE HILLS an unincorporated religious body of which the Rev. George W. Ferguson is the Rector, and to own, acquire, hold, mortgage, encumber, lease, convey and dispose of real and personal property of all kinds, and to own and establish Protestant Episcopal missions and/or chapels in Pima County, Arizona. This corporation shall have all powers permitted or granted by the laws of the United States and the State of Arizona to corporations of a religious, educational, eleemosynary, and non-profit character, which are or may be necessary or proper for carrying into effect any of the said purposes of this corporation.

ARTICLE IV.

This corporation shall have the power to borrow money and to secure the payment of the same by mortgaging or pledging or in any other manner encumbering its real and/or personal property; with the limitation that the highest amount of indebtedness to which the corporation may subject itself shall be fifty thousand and 00/100 (\$50,000.00) Dollars.

ARTICLE V.

This corporation shall be non-profit and shall exist for religious, educational and eleemosynary purposes.

ARTICLE VI.

This corporation shall have no capital stock; membership in the Corporation shall consist of membership in the Congregation of ST. PHILIP'S IN THE HILLS CHURCH, as defined by the Canons of the Protestant Episcopal Church in the United States of America and by the Canons of the Missionary District of Arizona.

ARTICLE VII.

The business affairs of this corporation shall be conducted by the Board of Directors which shall be composed of not less than five (5) nor more than fifteen (15) members, as determined by the By-laws of this corporation, who are to be elected and qualified in compliance with the By-laws of this corporation, who shall serve for a term of three (3) years and who shall serve until their successors are elected and qualified. The Rector, the Wardens and the Vestry members shall be members of the Board of Directors and included within the above limitation on membership. The Board of Directors shall not be limited at any time to be less than the total number of the Rector, the Wardens and Vestrymen properly elected according to the Canons of the Protestant Episcopal Church of the Missionary District of Arizona, and the By-laws of this corporation. Vacancies in the Board of Directors shall be filled as may be provided in the By-laws of this corporation. The Board of Directors at its regular annual meeting on the third Tuesday in January, or within one week thereafter, or at any adjournment thereof shall elect a President, a Secretary and a Treasurer from among its members, whose powers and duties shall be prescribed by the By-laws.

Members of the first Board of Directors shall be: the Rev. George W. Ferguson,

the Rector, whose term shall be in compliance with the Constitution and Canons of the Protestant Episcopal Church in the United States of America and the Canons of the Missionary District of Arizona; Carl Gustafsson, Thomas Hale, J. Leonard Pfeiffer and Scott B. Appleby, with terms expiring at the annual meeting of the corporation in January, 1944; George E. Freeman, Leo B. Keith and Walter C. Roadiger, with terms expiring at the annual meeting of the corporation in January, 1945; and Eugene Durand, Dr. George L. Dixon and Dr. Heman B. Leonard, with terms expiring at the annual meeting of the corporation in January, 1946.

The aforesaid Board of Directors were elected in a regular manner by the unanimous vote of a quorum of the members of this corporation present at a special meeting of the congregation of St. Philip's in the Hills Church, on February 14, 1943, of which all members were duly notified by public announcement at church services at St. Philip's in the Hills for two successive Sundays, the first announcement being seven (7) days before the date of the meeting.

As the aforesaid terms expire, and continuously thereafter, Directors shall be elected for three-year terms at the regular annual meeting of this corporation to be held on the first Tuesday of January, or within one (1) week thereafter, in each year, or at any adjournment thereof.

ARTICLE VIII.

The private property of the members and of the Board of Directors of this corporation shall be forever exempt from the debts and obligations of this corporation.

ARTICLE IX.

The By-laws of this corporation have been adopted by a majority of a quorum of the members of St. Philip's in the Hills Church, such quorum consisting of ten (10) members of said Church, at a special meeting held February 14, 1943, notice of which meeting was given by announcement at church services of St. Philip's in the Hills Church on two (2) successive Sundays, the first announcement being seven (7) days before the date of the meeting. These By-laws may be amended only by a majority vote of a quorum of the Board of Directors of this corporation after proper notice of the intention to make such amendment has been given at the next preceding regular or special meeting of the Board of Directors, or without any such notice, by a vote of three-fifths (3/5) of all the Directors, or by a majority of a quorum of the members of this corporation at any regular annual meeting

or at a special meeting called for that purpose, after proper notice as prescribed by the By-laws.

IN WITNESS WHEREOF the undersigned incorporators, who reside in Pima County, Arizona, have hereunto set their hands this fourteenth day of February, 1943.

| | | |
|---------------------------|--------------------------|--------------------------------------|
| <u>George W. Ferguson</u> | <u>Orange Grove Road</u> | <u>Pima County - Tucson, Arizona</u> |
| NAME | ADDRESS | RESIDENCE |
| <u>Robert A. May</u> | <u>1915 E Third St.</u> | <u>Tucson, Pima County, Arizona</u> |
| NAME | ADDRESS | RESIDENCE |

STATE OF ARIZONA }
COUNTY OF PIMA } ss

The foregoing instrument was acknowledged before me this 14th day of February, 1943, by George W. Ferguson and by Robert A. May.

Leo B. Keith
Notary Public

My commission expires: May - 13th 1943

ST. PHILIP'S IN THE HILLS PROTESTANT EPISCOPAL CHURCH
An Arizona Non-profit Corporation

To the Arizona Corporation Commission:

By authority vested in me by resolution of the Board of Directors of this corporation, I hereby appoint on behalf of this corporation Dr. Herman E. Leonard, a resident of Tucson, Pima County, Arizona, who has been a bona fide resident of the State of Arizona for more than three years last past, as the statutory agent for this corporation, upon whom all notices and processes, including service of summons, may be served, and which, when so served, shall be lawful personal service upon this corporation.

George W. Ferguson
President

STATE OF ARIZONA }
COUNTY OF PIMA } ss

Before me this 13 day of February, A.D., 1943, appeared George W. Ferguson President of St. Philip's in the Hills Protestant Episcopal Church, an Arizona non-profit Corporation, who deposed and said that he was authorized to execute the above appointment of statutory agent and he did execute the same in my presence.

Nancy H. Hodgson
Notary Public

My Commission Expires: 1-17-44