

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

**COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

ST. STEPHEN’S EPISCOPAL CHURCH, INC. AND AFFILIATE

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December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
St. Stephen's Episcopal Church, Inc. and Affiliate:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of St. Stephen's Episcopal Church, Inc. and Affiliate (Massachusetts corporations, not-for-profit), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

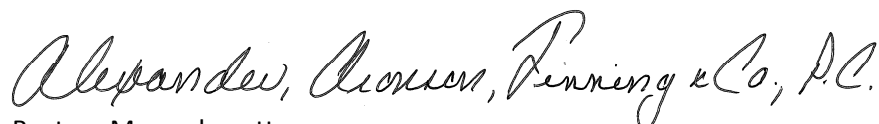
Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance 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 auditor's 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 combined 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 St. Stephen's Episcopal Church, Inc. and Affiliate as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Boston, Massachusetts
June 18, 2017

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Combined Statements of Financial Position
December 31, 2016 and 2015

Assets	2016	2015
Current Assets:		
Cash	\$ 684,668	\$ 586,982
Prepaid expenses and other current assets	2,938	2,431
Total current assets	687,606	589,413
Restricted Cash	568,657	550,069
Property and Equipment, net	817,505	127,720
Construction in Process	-	320,811
Beneficial Interest in Perpetual Trust	267,832	258,871
Total assets	<u>\$ 2,341,600</u>	<u>\$ 1,846,884</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of loans payable	\$ 5,364	\$ 5,180
Accounts payable and accrued expenses	92,650	33,691
Total current liabilities	98,014	38,871
Loans Payable, net of current portion	63,429	68,176
Total liabilities	<u>161,443</u>	<u>107,047</u>
Net Assets:		
Unrestricted:		
Operating	238,823	294,541
Property and equipment	683,556	350,287
Total unrestricted	922,379	644,828
Temporarily restricted	989,946	836,138
Permanently restricted	267,832	258,871
Total net assets	<u>2,180,157</u>	<u>1,739,837</u>
Total liabilities and net assets	<u>\$ 2,341,600</u>	<u>\$ 1,846,884</u>

The accompanying notes are an integral part of these combined statements.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Combined Statements of Activities and Changes in Net Assets
December 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support:								
Public support:								
In-kind contributions from the Episcopal Diocese of Massachusetts	\$ 1,207,866	\$ -	\$ -	\$ 1,207,866	\$ 1,082,933	\$ -	\$ -	\$ 1,082,933
Contributions and fundraising	820,677	271,970	-	1,092,647	724,964	30,227	-	755,191
Contributions from the Episcopal Diocese of Massachusetts	451,600	-	-	451,600	400,831	-	-	400,831
Stewardship contributions	106,792	-	-	106,792	106,948	-	-	106,948
Contributions from partnership churches	13,000	-	-	13,000	13,100	-	-	13,100
Total public support	2,599,935	271,970	-	2,871,905	2,328,776	30,227	-	2,359,003
Tuition income	84,867	-	-	84,867	76,064	-	-	76,064
Rental income	11,970	-	-	11,970	10,690	-	-	10,690
Investment income	9,252	-	-	9,252	21,407	-	-	21,407
Miscellaneous income	-	-	-	-	170	-	-	170
Net assets released from restrictions	133,136	(133,136)	-	-	4,706	(4,706)	-	-
Total operating revenue and support	2,839,160	138,834	-	2,977,994	2,441,813	25,521	-	2,467,334
Operating Expenses:								
Programs	1,264,504	-	-	1,264,504	967,137	-	-	967,137
Building and grounds, including in-kind of \$1,071,000 and \$950,400 for the years ended December 31, 2016 and 2015, respectively	1,125,514	-	-	1,125,514	1,035,663	-	-	1,035,663
Program administration	270,443	-	-	270,443	218,603	-	-	218,603
Clergy, including in-kind of \$136,866 and \$132,533 for the years ended December 31, 2016 and 2015, respectively	152,920	-	-	152,920	149,249	-	-	149,249
Depreciation	32,134	-	-	32,134	25,291	-	-	25,291
Financial services	16,366	-	-	16,366	11,814	-	-	11,814
Office expenses	15,964	-	-	15,964	16,446	-	-	16,446
Liturgy	9,736	-	-	9,736	7,361	-	-	7,361
Interest	3,078	-	-	3,078	2,639	-	-	2,639
Diocesan assessment	1,600	-	-	1,600	1,658	-	-	1,658
Bad debt	-	-	-	-	15,093	-	-	15,093
Total operating expenses	2,892,259	-	-	2,892,259	2,450,954	-	-	2,450,954
Changes in net assets from operations	(53,099)	138,834	-	85,735	(9,141)	25,521	-	16,380
Non-Operating Income:								
Capital grants	-	345,624	-	345,624	-	326,575	-	326,575
Change in carrying value of beneficial interest in perpetual trust	-	-	8,961	8,961	-	-	(12,017)	(12,017)
Net assets released from capital restrictions	330,650	(330,650)	-	-	315,829	(315,829)	-	-
Total non-operating income	330,650	14,974	8,961	354,585	315,829	10,746	(12,017)	314,558
Changes in net assets	277,551	153,808	8,961	440,320	306,688	36,267	(12,017)	330,938
Net Assets:								
Beginning of year	644,828	836,138	258,871	1,739,837	338,140	799,871	270,888	1,408,899
End of year	\$ 922,379	\$ 989,946	\$ 267,832	\$ 2,180,157	\$ 644,828	\$ 836,138	\$ 258,871	\$ 1,739,837

The accompanying notes are an integral part of these combined statements.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Combined Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 440,320	\$ 330,938
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	32,134	25,291
Bad debt	-	15,093
Change in carrying value of beneficial interest in perpetual trusts	(8,961)	12,017
Capital grants	(345,624)	(326,575)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(507)	(17,190)
Accounts payable and accrued expenses	18,691	(2,157)
	<u>136,053</u>	<u>37,417</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Purchase of property and equipment	(360,840)	-
Cash paid for construction in process	-	(273,296)
Increase in restricted cash	(18,588)	(6,040)
	<u>(379,428)</u>	<u>(279,336)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Capital grants	345,624	326,575
Principal payments on loans payable	(4,563)	(17,799)
	<u>341,061</u>	<u>308,776</u>
Net cash provided by financing activities		
Net Change in Cash	97,686	66,857
Cash:		
Beginning of year	<u>586,982</u>	<u>520,125</u>
End of year	<u>\$ 684,668</u>	<u>\$ 586,982</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 3,078</u>	<u>\$ 2,639</u>
Property and equipment or construction in process financed through accounts payable and accrued expenses	<u>\$ 65,156</u>	<u>\$ 24,888</u>

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

St. Stephen's Episcopal Church, Inc. (the Parish) is a mission church of the Episcopal Diocese of Massachusetts (the Diocese). General operations of the Parish include regular Sunday worship services, Christian education for children on Sundays, along with opportunities for fellowship and adult education. The Parish is a pastoral resource for its congregation and the larger community.

The Parish's mission is to support the spiritual, intellectual, physical, emotional, and social needs of its community and congregation.

In addition to hosting one worship service on Sundays, the Parish has an active Youth Program Ministry providing a place for neighborhood kids to receive academic support, access computer technology, and enjoy a wide range of cultural enrichment and recreational activities. The Youth Program Ministry serves more than 600 children and teens in Boston and Chelsea, Massachusetts, and employs over 90 adults on a seasonal basis. The Parish offers the B-ready-after-school program and B-safe summer program at its own parish in the South End. In addition, the Parish offers the after-school program at St. Augustine's and St. Martin's church in lower Roxbury and five other B-safe summer program locations at St. Martin's and St. Mary's church in Dorchester, Epiphany School in Dorchester, St. Luke's and San Lucas' church in Chelsea, and the Church of the Holy Spirit in Mattapan, Massachusetts. Funds raised in support of the Youth Program Ministry are kept separate from funds related to the overall Parish operations.

Friends of St. Stephen's Youth Programs, Inc. (the Affiliate) is a Massachusetts not-for-profit corporation formed in 2008 for the purpose of raising money for the youth outreach programs operated by the Parish and other not-for-profit organizations in Massachusetts. A member of the Affiliate's Board is a member of the Board of the Parish. Since its creation, the Affiliate has only made grants to the Parish.

Principles of Combination

The combined financial statements include the activities and net assets of the Parish and the Affiliate (collectively, the Church). All significant balances between classes of net assets and intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

Selected summarized financial information of the Affiliate as of and for the years ended December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Current assets	<u>\$ 451,743</u>	<u>\$ 316,523</u>
Total net assets	<u>\$ 451,743</u>	<u>\$ 316,523</u>
Change in net assets	<u>\$ 135,220</u>	<u>\$ 30,227</u>

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

NONPROFIT STATUS

The Parish is exempt from Federal income taxes under a group exemption of the Diocese and Institution of the Protestant Episcopal Church in the United States of America. The Affiliate is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Church is also exempt from state income taxes. Donors may deduct contributions made to the Church within IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

The Church prepares its combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash

For the purpose of the combined statements of cash flows, management considers checking and savings accounts to be cash.

Restricted Cash

Restricted cash represents monies collected for long-term purposes, specifically the ongoing renovations of the Church's facility.

Revenue Recognition

Unrestricted grants, contributions and fundraising are recorded as revenue when received or unconditionally pledged. Revenues from donor restricted contributions and fundraising are recorded as temporarily restricted revenue and net assets when the Church receives an unconditional commitment. Temporarily restricted net assets are reclassified to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed and are reported in the combined financial statements as net assets released from restrictions. Donor restricted grants and contributions whose restrictions are met in the year they are received or pledged are recorded as unrestricted net assets.

Tuition income is recognized as educational services are provided. All other revenues are recognized when earned.

Direct Write-Off Method Used to Record Bad Debts

The Church has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment in excess of \$2,000 are recorded at cost, if purchased, or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the following estimated useful lives:

Buildings and capital improvements	7 - 25 years
Furniture and equipment	7 - 10 years

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Operating expenses consist of the following components for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Program services	\$ 2,186,093	\$ 1,923,272
General and administrative	586,777	439,432
Fundraising	<u>119,389</u>	<u>88,250</u>
	<u>\$ 2,892,259</u>	<u>\$ 2,450,954</u>

Donated Space and Services

The Diocese contributes space and services to the Church in support of various aspects of its programs. The space and services are reflected in the accompanying combined financial statements based upon the estimated value assigned to them by management.

The value recorded for the space and services for the years ended December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Rent	\$ 1,071,000	\$ 950,400
Salaries and related benefits	<u>136,866</u>	<u>132,533</u>
	<u>\$ 1,207,866</u>	<u>\$ 1,082,933</u>

Combined Statement of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and expenses on the accompanying combined statements of activities and changes in net assets. Non-operating revenues (losses) include capital and investment activity.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Church.

Operating net assets represent funds available to carry on the operations of the Church.

Property and equipment net assets reflect the net book value of the Church's property and equipment, net of related debt.

Temporarily Restricted Net Assets

The Church receives contributions which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes.

Temporarily restricted net assets are restricted for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Capital campaign	\$ 561,472	\$ 546,498
Program	<u>428,474</u>	<u>289,640</u>
	<u>\$ 989,946</u>	<u>\$ 836,138</u>

Permanently Restricted Net Assets

Permanently restricted net assets have been restricted by donors to be maintained by the Church in perpetuity (see page 9).

Fair Value Measurements

The Church follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Church would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Church uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Church. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs, except for its beneficial interest in perpetual trusts, which use Levels 1 and 3 inputs (see below).

Beneficial Interest in Perpetual Trusts

The Church is a beneficiary of certain trusts that have been established by donors with funds contributed to be held in perpetuity. Under provisions of the trusts, the Church annually receives income on the trusts' assets, which has been stipulated by the donor, and can be utilized in any way that is consistent with the Church's mission. Distributions are recorded as unrestricted investment income in the accompanying combined statements of activities and changes in net assets. Changes in fair value, as determined using Level 1 (fair value of pooled investment vehicles and trust assets) and Level 3 inputs (the Church's share of the net assets of the applicable trusts), are recorded as increases or decreases to permanently restricted net assets in the accompanying combined statements of activities and changes in net assets.

The following table illustrates the changes in fair value of the beneficial interest in the perpetual trust:

Balance at December 31, 2014	\$ 270,888
Decrease in value of interest	<u>(12,017)</u>
Balance at December 31, 2015	258,871
Increase in value of interest	<u>8,961</u>
Balance at December 31, 2016	<u>\$ 267,832</u>

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP 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. Actual results could differ from those estimates.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Church accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Church has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at December 31, 2016 and 2015.

Only the Affiliate files information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities.

Subsequent Events

Subsequent events have been evaluated through June 18, 2017, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 91,270	\$ 91,270
Furniture	117,950	113,148
Building improvement	<u>717,117</u>	-
	926,337	204,418
Less - accumulated depreciation	<u>108,832</u>	<u>76,698</u>
	<u>\$ 817,505</u>	<u>\$ 127,720</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$32,134 and \$25,291, respectively.

During 2014, the Church began a capital renovation project. As of December 31, 2015, the Church had incurred costs of \$320,811, which have been reflected as construction in process in the accompanying combined statement of financial position. The project was completed and placed into service during 2016.

3. LOANS PAYABLE

In September 2003, the Church entered into an unsecured \$64,693 loan payable from the Diocese, bearing interest at 3.75%, payable monthly through the maturity date of July 1, 2018. The outstanding balance of the loan at December 31, 2015, was \$640. Payments are being made from funds controlled by the Dioceses; as such, there was no related interest expense for 2016 and 2015. The loan was paid off in full during 2016.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

3. LOANS PAYABLE (Continued)

In July 2012, the Church entered into an unsecured \$90,000 loan payable from the Diocese, bearing interest at 3.75%, payable monthly through the maturity date of July 15, 2027. As of January 15, 2013, the Diocese discounted the interest rate to 3.5% due to the Church agreeing to make payments via an automated clearinghouse. Proceeds from the loan are being used for capital improvements. The outstanding balance of the loan at December 31, 2016 and 2015, was \$68,793 and \$72,716, respectively. Interest expense for 2016 and 2015 was \$3,078 and \$2,639, respectively.

Outstanding principal is due in the following installments over the next five years:

2017	\$ 5,364
2018	\$ 5,555
2019	\$ 5,752
2020	\$ 5,957
2021	\$ 6,169

4. CONCENTRATIONS

The Church maintains its operating cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Church has not experienced any losses in such accounts. The Church believes it is not exposed to any significant credit risk on its operating cash balance.

5. RETIREMENT PLAN

The Church participates with other organizations affiliated with the Diocese in a noncontributory, defined-benefit multi-employer pension plan (Pension Plan) covering substantially all clergy employees. Benefits are provided through the Pension Plan. The Church's employees comprise less than 1% of all clergy employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Pension expense allocated to the Church is based on total compensation of the clergy members and totaled \$15,488 and \$13,356 for the years ended December 31, 2016 and 2015, respectively, and is included in programs expense in the accompanying combined statements of activities and changes in net assets.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the Pension Plan and, accordingly, such information is not presented herein. At March 31, 2016 and 2015, the financial statements of the Pension Plan reflected approximately \$8.6 and \$8.7 billion in net assets available for benefits and \$7.2 and \$7.3 billion in accumulated plan benefits, respectively.

6. RELATED PARTY TRANSACTIONS

The Church is a mission congregation of the Diocese and is under the control of the Diocesan Bishop. The financial operations of the Church are included in the financial statements of the Diocese. The Diocese Investment Trust is the holder of numerous trusts that benefit the Church, some of which are perpetual in nature. The Diocese also owns the building in which the Church operates and pays the salary and related benefits of the Vicar. For 2016, the Church has valued the donated space and salary and related benefits of the Vicar at \$1,071,000 and \$136,866, respectively (see page 7). For 2015, the Church has valued the donated space and salary and related benefits of the Vicar at \$950,400 and \$132,533, respectively.

ST. STEPHEN'S EPISCOPAL CHURCH, INC. AND AFFILIATE

Notes to Combined Financial Statements
December 31, 2016 and 2015

6. RELATED PARTY TRANSACTIONS (Continued)

The Church received contributions from the Diocese to subsidize operations. These contributions totaled \$468,090 and \$425,581 for the years ended December 31, 2016 and 2015, respectively. Contributions of \$16,490 and \$24,750 are included in capital grants for the years ended December 31, 2016 and 2015, respectively.

The Church paid the Diocese for diocesan assessment totaling \$1,600 and \$1,658 for the years ended December 31, 2016 and 2015, respectively.

7. LEASE AGREEMENTS

The Church sub-leases a portion of its property to a tenant-at-will. Rent received under this agreement was \$4,650 and \$5,400 for the years ended December 31, 2016 and 2015, respectively.

The Church rents their parish hall to two organizations for regularly-held events. Rental income under these agreements was \$7,320 and \$5,290 for the years ended December 31, 2016 and 2015, respectively.

8. RECLASSIFICATIONS

Certain amounts in the 2015 combined financial statements have been reclassified to conform with 2016 presentation.