

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

CONTENTS

Independent Auditors' Report.....	1-2
Consolidated Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis	3
Consolidated Statement of Revenue, Expenses, and Change in Net Assets – Modified Cash Basis	4
Notes to the Consolidated Financial Statements	5-17
Supplemental Information:	
Schedule of Property.....	18-25

INDEPENDENT AUDITORS' REPORT

To the Right Reverend J. Jon Bruno
The Bishop of the Protestant Episcopal Church in Los Angeles

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Bishop of the Protestant Episcopal Church in Los Angeles (a Corporation Sole), which comprise the consolidated statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2016, and the related consolidated statement of revenue, expenses, and change in net assets – modified cash basis for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Bishop of the Protestant Episcopal Church in Los Angeles as of December 31, 2016, and its revenue, expenses, and other changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Bishop of the Protestant Episcopal Church in Los Angeles' 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of property on pages 18-25 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Winder, Inc.

Long Beach, California
June 28, 2017

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES,
AND NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

ASSETS

	December 31,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 918,436	\$ 843,623
Investments	8,133,191	7,392,549
Loans receivable, net	1,237,166	5,454,886
Property	44,120,254	42,376,928
TOTAL ASSETS	\$ 54,409,047	\$ 56,067,986

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 108,341	\$ 322,202
Due to related party	245,972	503,631
Funds held for others	5,605,549	5,318,677
Notes payable	7,821,188	8,243,179
Total liabilities	13,781,050	14,387,689

COMMITMENTS AND CONTINGENCIES (Note 8)

NET ASSETS		
Unrestricted	29,586,560	29,945,482
Temporarily restricted	11,041,437	11,734,815
Total net assets	40,627,997	41,680,297
TOTAL LIABILITIES AND NET ASSETS	\$ 54,409,047	\$ 56,067,986

See Independent Auditors' Report

The accompanying notes are an integral part of these consolidated financial statements.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**CONSOLIDATED STATEMENT OF REVENUE, EXPENSES,
AND CHANGE IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Donations and gifts	\$ 2,621,728	\$ 96,309	\$ 2,718,037	\$ 977,593
Rent	424,079	-	424,079	316,549
Interest income	22,554	100	22,654	61,076
Gain on sale of properties	1,148,482	-	1,148,482	468,065
Realized and unrealized losses				
on investments	273,015	-	273,015	(83,458)
Gain on property adjustment (Note 11)	-	-	-	4,999,274
Net assets released from restrictions	(241,638)	241,638	-	-
Total revenues, gains, and other support	<u>4,248,220</u>	<u>338,047</u>	<u>4,586,267</u>	<u>6,739,099</u>
EXPENSES				
Episcopal institutions, missions, parishes, and Diocesan assistance	3,158,403	949,444	4,107,847	4,772,214
LLC administrative expenses	222,282	-	222,282	219,650
Seminarians and clergy	322,638	81,981	404,619	488,079
Transfer to Diocese	287,490	-	287,490	382,494
Payments to third parties for expenses as directed by donors	192,055	-	192,055	229,182
Loan write-offs	424,274	-	424,274	1,083
Total expenses	<u>4,607,142</u>	<u>1,031,425</u>	<u>5,638,567</u>	<u>6,092,702</u>
CHANGE IN NET ASSETS	(358,922)	(693,378)	(1,052,300)	646,397
NET ASSETS AT BEGINNING OF YEAR	<u>29,945,482</u>	<u>11,734,815</u>	<u>41,680,297</u>	<u>41,033,900</u>
NET ASSETS AT END OF YEAR	<u>\$ 29,586,560</u>	<u>\$ 11,041,437</u>	<u>\$ 40,627,997</u>	<u>\$ 41,680,297</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these consolidated financial statements.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

NOTE 1 – Organization and Summary of Significant Accounting Policies

Organization

The Bishop of the Protestant Episcopal Church in Los Angeles (the Corporation Sole) was incorporated on June 6, 1907 in the Diocese of Los Angeles as a unique form of nonprofit corporation, operating with no directors or members other than the Bishop Diocesan and his or her successors. The Corporation Sole was established as a means of obtaining continuity in the holding of property.

All mission church properties are reflected on the Corporation Sole's accompanying consolidated financial statements or the financial statements of The Protestant Episcopal Church in the Diocese of Los Angeles (the Diocese). Certain parish properties are reflected on the consolidated financial statements of either entity. According to canon law and court precedent, all church properties are held in trust for the larger Church. The church properties on the Corporation Sole's accompanying financial statements are generally valued at original cost. The Corporation Sole's consolidated financial statements exclude encumbrances to church properties, including the church properties reflected on the Corporation Sole's consolidated financial statements since the mission church or the parish is the borrower. The accompanying consolidated statements do not include the operating activities of mission churches or parishes.

In addition to real property, the Corporation Sole holds funds given to the Bishop Diocesan for protective custody or for use at the Bishop Diocesan's discretion. The Bishop Diocesan is responsible for ensuring that all funds in the Corporation Sole are used for their intended purposes and in accordance with church objectives.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Katella Howell, LLC (the LLC), a wholly owned subsidiary formed to hold and operate certain real estate. Intercompany transactions and accounts are eliminated in the accompanying consolidated financial statements.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The consolidated financial statements of the Corporation Sole are presented on a modified cash basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. In addition, the Corporation Sole has not recorded depreciation on property and has not consolidated missions and parishes in the accompanying consolidated financial statements, each of which may have been necessary to conform to generally accepted accounting principles.

Consolidated Financial Statement Presentation

The Corporation Sole is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Corporation Sole had no permanently restricted net assets at December 31, 2016 and 2015.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation Sole or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of revenue, expenses, and change in net assets – modified cash basis as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

Management Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements on the modified cash basis of accounting. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

All highly liquid debt investments with initial maturities of three months or less are considered to be cash equivalents.

Investments

The Corporation Sole's investments consist of share subscriptions of the Diocesan Investment Trust of the Diocese of Los Angeles (DIT). Investments are presented at fair value in the consolidated statement of assets, liabilities, and net assets – modified cash basis. Fair value is determined based on the quoted market prices of the underlying securities within the DIT, which represents the net asset value, a practical expedient to fair value, of the DIT shares held by the Corporation Sole. Unrealized gains and losses are included in the consolidated statement of revenue, expenses, and change in net assets – modified cash basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). U.S. GAAP classifies the inputs used to measure fair value into the following hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The net asset value per DIT unit is based on the closing market prices and accruals of the securities in the DIT's portfolio, or total value of the DIT fund divided by the number of units currently issued and outstanding. These inputs are classified as Level 2 inputs in the fair value hierarchy.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Financial Risk

The Corporation Sole maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation Sole has not experienced any losses in such accounts.

The Corporation Sole's investments are exposed to various risks, such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Property

The Corporation Sole periodically obtains real properties, assets attached to or directly associated with the use of real properties, and other assets through acquisition, construction, or donation. These properties are capitalized at the time they are acquired under one or more of the following methods as considered appropriate based upon the nature of the asset, the method of acquisition, and the availability of a tangible value: the cost of acquired or constructed assets, the title policy value, a recent property appraisal, the full or partial assessed value for county tax purposes, or the value assigned by insurance providers. When none of the above values were practicable, a nominal value was assigned to the property.

The Corporation Sole does not provide for depreciation on its property and equipment.

Contributions

Contributions are recognized as support in the period received. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Donated Services

Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services donated by a large number of people are important to the activities of the Corporation Sole. These services do not meet the above-mentioned criteria and, as such, the consolidated financial statements do not reflect the value of these donated services.

Functional Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of revenue, expenses, and change in net assets – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Corporation Sole is a nonprofit corporation exempt under Internal Revenue Code Section 501(c)(3) and the related California code section. The Corporation Sole recognizes the consolidated financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following examination. The statute of limitations for federal and state purposes is generally three and four years, respectively.

The LLC is a limited liability company treated as a partnership for federal income tax purposes and, accordingly, any income or loss of the LLC is recorded on the return of its member. As a result, no provision for income tax has been recorded on these consolidated financial statements.

Comparative Totals

The consolidated financial statements include certain prior-year summarized financial information in total, but not by net asset class. Accordingly, such financial information should be read in conjunction with the Corporation Sole's consolidated financial statements for the year ended December 31, 2015 from which the summarized financial information was derived.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the current-year consolidated financial statements.

NOTE 2 – Investments

Investments represent the Corporation Sole's respective beneficial ownership of a portfolio of various securities managed by the DIT. The DIT's portfolio includes publicly traded US and International equities, fixed income securities, and other securities. As indicated in Note 1, inputs used to measure fair value are classified as Level 2. The cost and fair value of the Corporation Sole's investments are as follows:

	December 31, 2016		December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Diocesan Investment Trust	<u>\$ 6,266,321</u>	<u>\$ 8,133,191</u>	<u>\$ 6,126,444</u>	<u>\$ 7,392,549</u>

Investment income includes the realized gains and unrealized appreciation of investments during the period, net of trust expenses. The ratio of trust expenses to average net trust assets approximates 0.70% for the years ended December 31, 2016 and 2015.

Certain investments are held by the Corporation Sole for others (Note 5). The returns on these investments increase the liability of funds held for others.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 – Loans Receivable

Loans receivable consists of various notes and promises to pay, bearing interest at rates ranging from 0% to 7.0% per annum, with various payment arrangements and due dates.

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Congregations and seminarians	\$ 1,265,624	\$ 4,870,188
Charitable organizations	159,506	754,506
Clergy and employees	<u>267,081</u>	<u>285,237</u>
	1,692,211	5,909,931
Allowance for doubtful collection	<u>(455,045)</u>	<u>(455,045)</u>
	<u>\$ 1,237,166</u>	<u>\$ 5,454,886</u>

NOTE 4 – Property

Property consists of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Parishes	\$ 9,624,441	\$ 9,624,441
Missions	11,065,004	18,182,597
Other property	<u>23,430,809</u>	<u>14,569,890</u>
	<u>\$44,120,254</u>	<u>\$42,376,928</u>

See Note 1 for further discussion of property.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 – Funds Held for Others

Funds held for others represent funds transferred to the Corporation Sole and held by it subject to disbursement upon instructions of transferor. Funds held for others consist of the following:

	December 31,	
	2016	2015
Church of the Angels Endowment	\$ 293,403	\$ 271,099
Wadleigh Estate Trust Fund	579,950	535,863
Geraldine Hitchcock Estate	876,013	809,420
T. Pliny Moran Fund	636,525	588,137
St. Michael's, Riverside	3,002	2,774
St. Benedict's, Alhambra	228,969	211,563
Dean Williams MacCormick	414,118	382,637
Laurella Milster Estate	370,631	342,456
Ben Pao Memorial Fund	209,790	199,002
Land Sale – Isla Vista	178,917	174,042
St. Thomas Hacienda Heights	88,996	91,607
Grace Church Moreno Valley	57,990	62,958
Holy Communion, Gardena	42,417	39,193
Church of the Resurrection	7,864	7,266
Collins Fund, Trinity Church, Orange	83,493	84,382
Tomlinson Fund	110,344	101,956
St. John's, Wilmington	119,651	110,556
Girls' Friendly Society	144,928	133,911
Holy Trinity, Covina	160,913	205,118
St. Michael's, Riverside	393,313	560,464
St. Mark's Upland	200,235	—
Others	404,087	404,273
	<u>\$ 5,605,549</u>	<u>\$ 5,318,677</u>

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 – Notes Payable

Notes payable consists of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Note payable to a financial institution, payable in monthly installments through April 2019, including interest at 5.375%, secured by a deed of trust on real property	\$ 69,170	\$ 96,265
Note payable to a financial institution, payable in monthly installments through June 2020, including interest at 5.5%, secured by a deed of trust on real property	93,456	117,023
Note payable to a financial institution, payable in monthly installments through November 2021, including interest at 7.0%, secured by a deed of trust on real property	1,384,160	1,614,444
Note payable to a financial institution, payable in monthly installments through September 2022, including interest at 7.0%, secured by a deed of trust on real property	955,466	1,087,523
Note payable to a financial institution, payable in monthly installments through December 2018, including interest at 3.49%, secured by a vehicle	18,936	27,924
Note payable to a financial institution, payable in monthly interest installments of 4%, with final payment due in October 2018, secured by the deed of trust on real property	<u>5,300,000</u>	<u>5,300,000</u>
	<u>\$ 7,821,188</u>	<u>\$ 8,243,179</u>

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 – Notes Payable (Continued)

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 451,325
2018	5,782,717
2019	484,943
2020	493,509
2021	471,283
Thereafter	<u>137,411</u>
	<u>\$ 7,821,188</u>

Interest expense for the years ended December 31, 2016 and 2015 was approximately \$590,000 and \$191,000, respectively.

NOTE 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are designated by donors for the following purposes:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Frank Seaver Paragraph V Trust – for elementary and higher education	\$ 3,791,373	\$ 4,421,439
Mr. & Mrs. Ledger T. Smith Memorial Fund	6,340,775	6,340,775
Louisa S. Janvier Fund – R&R clergy and lay workers	227,804	267,322
Margaret E. Moore Foundation	285,218	285,218
Levering & Margaret Moore Fund	195,608	216,279
Indian Work Fund	92,030	92,019
Black Ministries Fund	32,663	35,797
Discretionary Disaster Fund	49,106	49,106
Lucius F. Doolittle Fund – Missions	<u>26,860</u>	<u>26,860</u>
Total temporarily restricted net assets	<u>\$11,041,437</u>	<u>\$11,734,815</u>

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 – Commitments and Contingencies

Legal Matters

The Corporation Sole is periodically subject to claims and lawsuits which arise in the ordinary course of its activities. In the opinion of management, the ultimate resolution of such claims and lawsuits will not be material in relation to the Corporation Sole's financial position.

NOTE 9 – Related-Party Transactions

The Corporation Sole is related to the Protestant Episcopal Church in the Diocese of Los Angeles (the Diocese) and affiliated parishes and missions within the Diocese of Los Angeles. The Corporation Sole and affiliated parishes and missions provide the Diocese with funding for administrative operations. Facilities and administrative service expenses common to the Corporation Sole and the Diocese are shared under a formula which is reviewed annually. Additionally, the Corporation Sole may provide advances to the Diocese for program services. At December 31, 2016 and 2015, \$245,972 and \$503,631, respectively, was due to the Diocese for shared administrative services expenses.

At December 31, 2016 and 2015, the Corporation Sole held notes receivable from Diocese employees in the amount of \$138,000 classified in loans receivable on the accompanying consolidated statement of assets, liabilities, and net assets – modified cash basis.

The Bishop Diocesan sits on the board of directors for the Episcopal Housing Alliance (EHA), dba the Institute for Urban Research and Development, a charitable organization. The Corporation Sole had a \$30,000 loan receivable from EHA outstanding at December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the loan is fully reserved.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 9 – Related-Party Transactions (Continued)

In January 2009, EHA's articles of incorporation were amended by the EHA board to reflect a subordinate relationship to the Corporation Sole, the parent entity. In September 2016, the EHA's board of directors amended the articles of incorporation which dissolved the subordinate relationship. The Corporation Sole has elected not to consolidate the financial statements of EHA at December 31, 2015 and for the activity through September 2016. EHA's fiscal year ends June 30. EHA's financial performance is summarized in the following table:

	Fiscal Year	
	<u>2015-2016</u>	<u>2014-2015</u>
Revenue	\$ 283,408	\$ 484,233
Expenses	<u>638,615</u>	<u>764,189</u>
Change in Net Assets	\$ <u>(355,207)</u>	\$ <u>(279,956)</u>
Net Assets	\$ <u>2,625,993</u>	\$ <u>2,981,200</u>

NOTE 10 – Leasing Arrangements as Lessor

The Corporation Sole leases building and land under noncancellable and cancellable agreements expiring at various dates through June 2023. Under the noncancellable agreements, expected annual rental income is approximately \$268,000, subject to consumer price index adjustments at five year increments. During the years ended December 31, 2016 and 2015, rental income totaled approximately \$424,000 and \$317,000, respectively.

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 11 – Gain on Property Adjustment

During the year ended December 31, 2015, the Corporation Sole exchanged the real property held within the temporarily restricted Mr. & Mrs. Ledger T. Smith Memorial Fund, carried at a cost of approximately \$1,300,000, with other investment assets of equal value. In order to facilitate the exchange, under oversight of the Office of Attorney General for the State of California, the value of the real property was adjusted to market value, based on input from recent transactions and third-party valuation. The adjustment resulted in a gain on real property totaling \$4,999,274, which is recorded on the accompanying consolidated statement of revenue, expenses, and change in net assets – modified cash basis for the year ended December 31, 2015.

NOTE 12 – Subsequent Events

The management of Corporation Sole have evaluated subsequent events and transactions for potential recognition or disclosure through June 28, 2017, the date the consolidated financial statements were available to be issued for the year ended December 31, 2016.

SUPPLEMENTAL INFORMATION

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
PARISHES		
Buena Park – St. Joseph’s	Land	\$ 25,000
	Church and dual purpose building	66,407
	Rectory	20,950
	Classrooms	39,995
Compton – St. Timothy’s	Land	11,100
	Church and Parish house	33,771
	Sunday School building	10,000
	Classrooms	39,841
Costa Mesa – St. John the Divine	Church and Parish hall	41,936
	Classrooms	17,052
	Daycare center	11,000
	Land	37,138
	Sidewalks, curbing, and parking lot	52,800
Fullerton – Emmanuel	Land	79,726
	Church and administrative classroom unit	135,916
Granada Hills – St. Andrew and St. Charles	Land	25,041
	Land improvements	3,818
	Church and Parish hall	91,812
	Rectory	37,785
	Earthquake repairs and improvements	42,000
Huntington Beach – St. Wilfrid’s	Building	2,336,865
	Land	18,109
	Classrooms	54,195
	Church	119,953
Laguna Hills – St. George’s	Rectory	43,261

See Independent Auditors' Report

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
PARISHES (Continued)		
Lancaster – St. Paul’s	Land	14,000
	Dual purpose building and guild room	67,849
	Nursery School building	22,816
	Church School building	25,578
	Rectory	21,253
Lompoc – St. Mary’s	Land - church site	335,220
	Building	1,404,380
Los Angeles – Advent	Church, hall, and office	85,150
	Income property (rectory)	7,000
Los Angeles – Palms St. Mary’s	Land (adjacent)	15,140
	Rectory	34,574
	Church	30,000
	Parish house	25,000
Malibu – St. Aidan’s	Church	207,741
	Parish	245,774
	Sunday School	312,988
	Storage	13,288
	Vicarage	457,531
	Land	135,000
	Contents and organ	154,240
Monterey Park – St. Gabriel’s	Church	79,302
	Parish hall	57,212
	Contents and organ	11,200
	Land	10,000
	Rectory	26,557
	Sunday School	6,382
	Parking lot	19,700

See Independent Auditors' Report

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
PARISHES (Continued)		
Ojai – St. Andrew’s	Land	20,000
	Rectory	119,490
Pasadena – Church of the Angels	Church and Parish house	131,106
	Rectory	12,350
	Building restoration	484,726
Pasadena – St. Barnabas’	Church and Guild house	33,436
	Land - church site	40,107
	Parish hall and facilities	116,247
	Rectory	167,600
Placentia – Blessed Sacrament	Land	25,058
	Church	74,771
	Rectory	27,187
	Classrooms	11,908
	New classrooms	67,000
Santa Barbara – Christ the King	Land	75,100
	Church, Parish hall, classrooms, and office	370,900
South Gate – St. Margaret’s	Church	136,425
	Land (adjoining property)	60,240
	Parish hall	43,669
	Rectory	31,408
Woodland Hills – Prince of Peace	Land	94,847
	Dual purpose hall	152,470
	Classrooms	33,450
	Land improvements	74,600
Total parishes		<u>\$ 9,624,441</u>

See Independent Auditors' Report

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
MISSIONS		
Barstow – St. Paul's	Church	\$ 14,889
	Land	96,099
	Contents	1,550
	Parish hall and parking lot	67,000
	Vicarage	15,504
	Outreach building	119,857
Beaumont - St. Stephen's	Church	250,000
El Monte – Immanuel	Church	55,885
	Land	12,658
	Vicarage	12,200
	Parking lot - land	11,900
	Contents	1,563
Gardena – Holy Communion	Church and Parish house	52,366
	Contents	3,752
	Vicarage	29,100
Hacienda Heights – St. Thomas'	Church and remodeling	209,511
	Land and house	74,932
	Parish hall	75,783
	Classroom buildings	400,000
Hawthorne – St. George's	Church	178,000
	Buildings	18,084
	Contents and organ	23,750
	Vicarage	15,698
	Arcade addition	7,666
Isla Vista – St. Michael's University Episcopal Mission	Parish hall	29,646
	Land	5,000
	Chapel	51,580
	Vicarage	26,348
	Shelter for the homeless	10,000

See Independent Auditors' Report

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
MISSIONS (Continued)		
Laguna Niguel – Faith Episcopal	Land and church	1,002,617
Los Angeles – Church of the Epiphany	Rectory	243,836
	Church	198,628
Los Angeles – St. Francis (Atwater)	Church and Parish hall	128,372
Moreno Valley – Grace Episcopal Church	Land, Church, and School	835,764
Needles – St. John the Evangelist	Church	170,541
	Classrooms	39,314
	Hall	15,319
	Land	10,000
Norwalk – St. Francis	Church	37,798
	Contents	2,500
	Sunday School and Assembly hall	25,753
	Paving, wall, and gate	20,314
	Classrooms	20,683
Pico Rivera – St. Bartholomew's	Daycare center	9,300
	Church and Parish household	41,913
	Church	31,706

See Independent Auditors' Report

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
MISSIONS (Continued)		
Rialto – St. Peter’s	Land	20,325
	Church	57,258
Riverside – St. George’s	Land	38,827
	Parish hall and street improvements	201,967
Simi Valley – St. Francis of Assisi	Land and Chapel	59,204
	Classroom	43,838
	Contents - classroom	1,748
	Building	2,767,939
Twenty-Nine Palms – St. Martin-in-the-Field	Land	2,660
	Church	21,636
	Vicarage	75,000
Whittier - St. Stephen's	Church	1,700,000
	Rectory	475,000
Wilmington – St. John’s	Land (Lots 5, 6 and 7)	11,850
	Church and Parish house	67,584
	Classroom kitchen and parking lot	13,358
Yucaipa – St. Alban’s	Vacant land	9,391
	Activity building	529,940
Yucca Valley – St. Joseph of Arimathea	Church	76,800
	Parish hall	<u>186,000</u>
Total missions		<u>\$ 11,065,004</u>

See Independent Auditors' Report

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
OTHER PROPERTY		
Anaheim	E. Katella Avenue and Howell Avenue rental properties	\$ 12,600,000
Compton – Angeles Abbey Memorial Park	Burial crypts (donated December 1981)	1
Fontana – St. Luke’s (Ministry Outreach Center)	Church	46,135
	Church School and offices	10,000
	Vicarage	9,414
Harvard Street – Old Bloy House	Gas, oil and mineral rights	1
Hollywood – Hollywood Cemetery Association	Burial lots (donated 1960 and prior)	1
Irvine	77% interest in 2 Hidalgo residences	503,768
Lancaster Area – Randal Hall	Unimproved acreage	45,303
Los Angeles (Echo Park)	Laguna Street residential rental properties	259,000
Los Angeles (Echo Park)	1004 Echo Park Avenue (rental)	220,742
Newport Beach – Formerly St. James’ the Great	Church	4,073,885
	Classrooms	1,863,578
	Hall	2,519,214
	Other property	434,398
Pasadena	50% interest in 709 North Mar Vista Avenue	302,953
Riverside	Beryl Mortlock donated parcel of land (8/82)	293
Riverside – St. Michael’s (Ministry Outreach Center)	Land	13,322
	Dual purpose classroom building	69,087
	Church	156,663

See Independent Auditors' Report

THE BISHOP OF THE PROTESTANT EPISCOPAL CHURCH IN LOS ANGELES

**SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPERTY
DECEMBER 31, 2016
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Capitalized Amount</u>
OTHER PROPERTY (Continued)		
San Bernardino – St. Francis of Assisi (Ministry Outreach Center)	Land and church	226,750
Yucca Valley	Land – H. Robbins	8,028
Various other		<u>68,273</u>
Total other property		<u>\$ 23,430,809</u>
TOTAL PROPERTY		<u><u>\$ 44,120,254</u></u>