

**The Rector, Church-Wardens,
and Vestrymen of Trinity
Church, in the city of New-York
and Subsidiaries**

Consolidated Financial Report

December 31, 2013 and 2012

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Independent Auditor's Report

To The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York
New York, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries ("Trinity"), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of 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 financial position of The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries as of December 31, 2013 and 2012, 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.

McGladrey LLP

New York, New York
April 29, 2014

The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

Consolidated Balance Sheets
December 31, 2013 and 2012
 (all dollar amounts in thousands)

	2013	2012
ASSETS		
Cash and Cash Equivalents	\$ 27,587	\$ 22,649
Accounts, Rent Agreements and Notes Receivable, net	9,986	14,364
Deferred Rent, net	134,952	118,613
Tenant Security Deposits	12,514	11,325
Investments, at fair value	204,558	177,248
Property and Equipment, net	52,766	45,946
Deferred Leasing Costs, net	40,059	40,647
Investment in Real Estate, net	346,671	339,687
Other Assets	<u>6,003</u>	<u>5,005</u>
Total assets	<u>\$ 835,096</u>	<u>\$ 775,484</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 35,753	\$ 47,615
Grants payable	2,930	2,120
Tenant security deposits	12,514	11,325
Mortgage payable - St. Margaret's House	6,640	7,197
Pension and other postretirement benefits payable	8,211	10,562
Private placement notes payable	59,000	60,000
Revolving credit notes payable	-	10,000
Other liabilities	<u>6,705</u>	<u>5,100</u>
Total liabilities	<u>131,753</u>	<u>153,919</u>
Net Assets:		
Unrestricted:		
Ministry	41,040	29,409
Endowment:		
Real Estate	459,222	416,128
Investments	<u>192,710</u>	<u>166,877</u>
Total unrestricted net assets	692,972	612,414
Temporarily restricted - Ministry	8,130	6,920
Permanently restricted - Ministry	<u>2,241</u>	<u>2,231</u>
Total net assets	<u>703,343</u>	<u>621,565</u>
Total liabilities and net assets	<u>\$ 835,096</u>	<u>\$ 775,484</u>

See Notes to Consolidated Financial Statements.

The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2013 and 2012
(all dollar amounts in thousands)

	2013	2012
Change in Unrestricted Net Assets:		
Ministry:		
Ministry revenue:		
Fees and preschool tuition	\$ 3,597	\$ 4,107
St. Margaret's House	5,461	5,409
Contributions and donations	1,226	781
All other revenue	2,144	2,294
Release from restrictions	321	325
Total ministry revenue	12,749	12,916
Ministry expenses:		
Parish ministries	11,948	10,148
St. Margaret's House	4,770	4,793
Grants, other gifts and diocesan assessment	6,554	6,399
Mission properties	8,406	10,091
Depreciation and amortization	3,572	4,017
Communications	4,415	4,072
Business office and institutional expenditures	4,034	3,667
Total ministry expenses	43,699	43,187
Net deficiency from ministry	(30,950)	(30,271)
Return from endowment:		
Commercial real estate operations:		
Leasing-related revenue	195,847	180,495
Operating expenses	(82,990)	(82,163)
Depreciation and amortization	(29,215)	(26,871)
Dividend distributions - REIT	(15)	(15)
Net support from commercial real estate operations	83,627	71,446
Return on investment portfolio	25,346	17,594
Total return from endowment	108,973	89,040
Postretirement related charges other than net periodic costs	2,535	(1,498)
Change in unrestricted net assets	80,558	57,271
Change in Temporarily Restricted Net Assets:		
Return on investment portfolio	1,401	998
Contributions	130	609
Release from restrictions	(321)	(325)
Change in temporarily restricted net assets	1,210	1,282
Change in Permanently Restricted Net Assets:		
Contributions and change in value of interest in perpetual trust	10	268
Change in permanently restricted net assets	10	268
Change in net assets	81,778	58,821
Net Assets:		
Beginning	621,565	562,744
Ending	\$ 703,343	\$ 621,565

See Notes to Consolidated Financial Statements.

The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012
(all dollar amounts in thousands)

	2013	2012
Cash Flows From Operating Activities:		
Change in net assets	\$ 81,778	\$ 58,821
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,787	30,888
Bad debts expense	96	153
Straight-lining of rent, net	(16,339)	(19,213)
Dividend distributions - REIT	15	15
Net gain on investments	(26,441)	(18,367)
Change in value of interest in perpetual trust	(10)	-
Changes in operating assets and liabilities:		
Accounts, rent agreements and notes receivable, net	4,283	(4,651)
Accounts payable and accrued liabilities	(2,073)	229
Other changes, net	(601)	2,565
Net cash provided by operating activities	73,495	50,440
Cash Flows From Investing Activities:		
Additions to real estate improvements	(40,191)	(49,965)
Additions to deferred leasing costs	(4,417)	(14,103)
Purchases of investments	(16,371)	(15,093)
Sales of investments	15,502	14,146
Additions to property and equipment	(11,508)	(6,424)
Net cash used in investing activities	(56,985)	(71,439)
Cash Flows From Financing Activities:		
Principal payments - Private placement notes payable	(1,000)	-
(Principal payments) Proceeds - Revolving credit notes payable	(10,000)	10,000
Principal payments on mortgage - St. Margaret's House	(557)	(517)
Dividend distributions - REIT	(15)	(15)
Net cash (used in) provided by financing activities	(11,572)	9,468
Net increase (decrease) in cash and cash equivalents	4,938	(11,531)
Cash and Cash Equivalents:		
Beginning	22,649	34,180
Ending	\$ 27,587	\$ 22,649
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 2,196	\$ 2,195
Supplemental Disclosures of Noncash Investing Activities:		
Construction costs included in accounts payable and accrued liabilities	\$ 2,985	\$ 3,320
Leasing commissions included in accounts payable and accrued liabilities	\$ 2,129	\$ 1,521
Tenant improvements included in accounts payable and accrued liabilities	\$ 18,276	\$ 28,061

See Notes to Consolidated Financial Statements.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
the city of New-York and Subsidiaries**

**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 1. Organization

The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York ("Trinity"), a parish in the Episcopal Diocese of New York, is dedicated to the promotion of the Gospel and the betterment of human life, according to God's vision, in the parish community, the city of New York, within the Anglican Communion and throughout the world, through the use of spiritual, human and financial resources.

Trinity is a religious corporation formed under a charter from King William of England in 1697 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Trinity owns, or is the sole member of, or owns a controlling interest in, and operates the following entities:

- St. Margaret's Housing Development Fund Corporation ("St. Margaret's House"): St. Margaret's House is a New York not-for-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Code. It operates housing and related facilities for low-income elderly and handicapped.
- Trinity Episcopal Center Association, Incorporated ("Trinity Conference Center"): Trinity Conference Center is a Connecticut Non-Stock Corporation located in West Cornwall, CT and is exempt from federal income tax under Section 501(c)(3) of the Code. The Trinity Conference Center ceased conference operations for external parties in November 2012.
- Trinity Concerts, Inc. ("Trinity Concerts"): Trinity Concerts is a New York not-for-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Code. It was formed to promote music and the performing arts and further the public portion of the music program of Trinity Church.
- Trinity REIT, Inc. (the "REIT"): The REIT is a Delaware corporation that qualifies as a real estate investment trust. Trinity owns 100% of the voting common stock.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Trinity, St. Margaret's House, Trinity Conference Center, Trinity Concerts and the REIT (collectively, "Trinity"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Financial Statement Presentation: The consolidated financial statements of Trinity have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For financial reporting purposes, the net assets and revenues, expenses, gains and losses of Trinity are classified as follows:

- Unrestricted:

Unrestricted net assets include net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets are generated from Trinity's ministry, mission, daily operations and income-producing assets. Some unrestricted net assets generated from Trinity's ministry, although not donor-restricted, have been voluntarily designated by the Vestry for use in a specified manner.

All expenses are recorded as a reduction of unrestricted net assets.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
the city of New-York and Subsidiaries**

**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 2. Summary of Significant Accounting Policies (Continued)

- **Temporarily Restricted:**

Temporarily restricted net assets include gifts of cash and other assets received with donor stipulations that limit the use of the assets to a specific purpose or time period. When the purpose restriction is accomplished or the time restriction expires, the temporarily restricted net asset balance is reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

- **Permanently Restricted:**

Permanently restricted net assets include funds that have been designated by the donor to be held and invested in perpetuity. The unspent cumulative income from such investments is classified as temporarily restricted net assets.

Permanently restricted net assets also include Trinity's interest in a perpetual trust held by a third party. Distributions received from the trust are recognized as unrestricted revenue, and the changes in value of Trinity's interest are recognized as permanently restricted revenue.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Super Storm Sandy: As a result of the impact of Super Storm Sandy, Trinity sustained damage to its buildings and property and incurred some loss of income in 2013 and 2012. The related expenses and losses are incorporated in the financial statements and are not significant.

Cash and Cash Equivalents: All short-term investments with maturities of three months or less at the date of purchase are considered to be cash equivalents, except for those amounts held as part of Trinity's long-term investment strategy.

Accounts, Rent Agreements and Notes Receivable: Accounts, rent agreements and notes receivable represent outstanding amounts due primarily from tenants and are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables due from tenants. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to the applicable accounts or notes receivable. Based on the information available, Trinity believes the allowance for doubtful accounts as of December 31, 2013 is adequate. However, actual write-offs may exceed the recorded allowance.

Investments: Trinity records its investments at their estimated fair value as described in Note 6 with the related return from investments included in the accompanying consolidated statements of activities.

Property and Equipment: Church and educational properties' additions are capitalized at cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The useful lives of the assets range from 3 to 50 years.

Deferred Financing Costs: Trinity capitalizes costs incurred in connection with borrowings and the establishment of credit facilities. These costs are amortized over the term of the related facility.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
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**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 2. Summary of Significant Accounting Policies (Continued)

Investment in Real Estate and Deferred Leasing Costs: Commercial real estate is stated at cost. Buildings, additions and improvements are depreciated using the straight-line method over the estimated useful lives, which range from 20 to 33 years. Tenant installations and deferred leasing costs are capitalized at cost as of the lease commencement date and amortized using the straight-line method over the terms of the respective leases or earlier should the respective lease be terminated prior to the end of its contractual term.

Grants Expense and Related Payable: The Trinity Grants Program currently operates to address spiritual, social and economic issues in the Episcopal Church, metropolitan New York and throughout the world. Trinity records grant obligations when approved by the Vestry.

Revenue Recognition and Deferred Rent: Fixed minimum real estate income is recognized on a straight-line basis over the term of the underlying lease. The cumulative excess of rents so recognized over amounts contractually due pursuant to the underlying leases is reported as deferred rent on the accompanying consolidated balance sheets. Additional rents and reimbursements, which are provided in the underlying leases, are recognized as income when earned and when their amounts can be reasonably estimated.

An agreement to terminate a lease may or may not include a payment to Trinity in recognition of future rents. When the agreement with the tenant includes termination income, it is recognized upon execution of the termination or surrender agreement. These amounts are included within leasing-related revenue on the consolidated statement of activities.

Trinity records as ministry revenue the following types of contributions at fair value when they are received unconditionally: cash and gifts of other assets, promises to give, and certain contributed services. Conditional contributions are recognized as support when the conditions on which they depend have been substantially met. Contributions and promises to give are recorded as revenue when either cash or other assets is received or when donors make an enforceable promise to give. Contributions and promises to give are classified either as unrestricted, temporarily restricted or permanently restricted support, based on the donor's intent.

Contributed services are recorded as revenue and expenses at fair value when they create or enhance nonfinancial assets, or they require specialized skills and are provided by individuals possessing those skills. The 2013 consolidated statement of activities includes contributed services of approximately \$530 in support of mission activities.

All other revenue is recognized on an accrual basis when earned.

Impairment of Long-Lived Assets: Trinity periodically assesses the recoverability of its long-lived assets and believes that there is no impairment at December 31, 2013 and 2012.

Fair Value of Financial Instruments: The following methods and assumptions were used in estimating the fair values of significant financial instruments:

- The fair value of investments is estimated as described in Note 6.
- The carrying amounts for cash and cash equivalents approximate their fair value because the instruments are liquid in nature.
- Accounts and notes receivable, tenant security deposits, accounts payable and accrued expenses, deposits and deferred revenue, grants payable and revolving credit notes payable are generally short-term, and their carrying amounts approximate their fair values.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
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**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 2. Summary of Significant Accounting Policies (Continued)

- The fair value of the St. Margaret's House mortgage loan is estimated as the value of the discounted cash flow required to service the loan. The rate used to discount the cash flow is based upon the current mortgage rate with a similar maturity date as the mortgage loan. The fair value of the mortgage payable at December 31, 2013 and 2012 is \$10,209 and \$10,871, respectively.
- The fair value of the private placement notes has been determined by discounting the future payments required under the terms of the notes at rates available to Trinity for debt with similar maturities and terms. The estimated fair value of these notes in aggregate at December 31, 2013 and 2012 is \$67,056 and \$70,528, respectively.

There have been no changes in the methodologies used for estimating fair values of significant financial instruments as of December 31, 2013 and 2012.

Leases and Related Liabilities: Trinity leases space under noncancellable lease agreements, which are accounted for as operating leases. Trinity recognizes rent expense on a straight-line basis over the lease term. The cumulative excess of rents so recognized over amounts contractually due pursuant to the underlying leases is reported as deferred rent on the accompanying consolidated balance sheets.

Reclassification: In 2013, Trinity considered as investments all cash and cash equivalents held in its long-term investments portfolio and, accordingly, reclassified \$1,333 of 2012 reported cash equivalents to investments. Also, during 2013, Trinity recognized postretirement related charges other than net periodic costs as a separate change in unrestricted net assets. It was previously presented as a component of ministry expenses. The 2012 postretirement related charges other than net periodic costs of \$1,498 have been reclassified from the 2012 business and institutional expenditures to conform to this presentation. Certain other amounts and accounts reported in the 2012 consolidated financial statements have been reclassified to conform to the 2013 consolidated financial statement presentation. The reclassifications had no effect on the reported assets, liabilities and net assets as of December 31, 2012 and changes in net assets for the year ended December 31, 2012.

Evaluation of Subsequent Events: Trinity evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was April 29, 2014 for these consolidated financial statements.

Recently Issued Accounting Pronouncement: In October 2012, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics including technical corrections and improvements to the Accounting Standards Codification ("ASC") and conforming amendments related to fair value measurements. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2013 for nonpublic entities, except for amendments in this update where there was no transition guidance and which were immediately effective upon issuance. The impact of adopting ASU 2012-04 on subsequent periods has not yet been determined.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
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**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 3. Net Assets

Net assets, which are substantially endowments, consist of the following:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor and other restricted funds for Trinity's ministry:				
Music programming	\$ -	\$ 3,491	\$ -	\$ 3,491
Training and education of candidates for priesthood in the Episcopal Church	-	1,242	1,184	2,426
Other restricted funds	-	3,397	1,057	4,454
	<u>-</u>	<u>8,130</u>	<u>2,241</u>	<u>10,371</u>
Others:				
Ministry	41,040	-	-	41,040
Endowment:				
Real estate ^(a)	459,222	-	-	459,222
Investments	192,710	-	-	192,710
	<u>692,972</u>	<u>-</u>	<u>-</u>	<u>692,972</u>
Total net assets	<u>\$ 692,972</u>	<u>\$ 8,130</u>	<u>\$ 2,241</u>	<u>\$ 703,343</u>

^(a) Includes preferred stock in the REIT of \$120

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor and other restricted funds for Trinity's ministry:				
Music programming	\$ -	\$ 3,122	\$ -	\$ 3,122
Training and education of candidates for priesthood in the Episcopal Church	-	980	1,184	2,164
Other restricted funds	-	2,818	1,047	3,865
	<u>-</u>	<u>6,920</u>	<u>2,231</u>	<u>9,151</u>
Others:				
Ministry	29,409	-	-	29,409
Endowment:				
Real estate ^(a)	416,128	-	-	416,128
Investments	166,877	-	-	166,877
	<u>612,414</u>	<u>-</u>	<u>-</u>	<u>612,414</u>
Total net assets	<u>\$ 612,414</u>	<u>\$ 6,920</u>	<u>\$ 2,231</u>	<u>\$ 621,565</u>

^(a) Includes preferred stock in the REIT of \$120

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
the city of New-York and Subsidiaries**

**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 3. Net Assets (Continued)

The endowments, which include both donor-restricted and unrestricted funds, support Trinity's legacy and mission in the world. Endowment assets are invested in commercial real estate holdings and in an investment portfolio. Net assets associated with these funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Trinity's continued intention is for the endowment to exist in perpetuity and grow over time. The Vestry is responsible for managing the endowment. The Vestry makes management and investment decisions about individual endowment assets in the context of an overall strategy that takes into consideration both risk and return objectives appropriate to Trinity and compliance with the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Real Estate Committee, in accordance with the policies and procedures approved by the Vestry, has responsibility for oversight of the commercial real estate portion of the endowment, which is unrestricted. The Resources and Investment Committee, in accordance with the investment policy approved by the Vestry, has responsibility for oversight of the investment portfolio portion of the endowment, which is primarily unrestricted.

Trinity's spending policy is intended to carry out Trinity's present-day mission in the world by withdrawing endowment funds in a stable and sustainable way in amounts that align with Trinity's long-term goals. Actual spending of funds is determined each year as part of the annual budgeting process.

Trinity has interpreted NYPMIFA as allowing Trinity to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as Trinity determines is prudent for the uses, benefits, purposes and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted until appropriated for expenditure by the Vestry. The historic dollar value of permanent donor endowments is classified as permanently restricted and the remaining donor-restricted portion of the endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
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**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 3. Net Assets (Continued)

The following tables summarize the changes in donor and other restricted endowment net assets during the year:

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 6,920	\$ 2,231	\$ 9,151
Contributions and other additions	130	10	140
Net investment return	1,401	-	1,401
Appropriations of endowment assets for expenditures	(321)	-	(321)
Balance, end of year	\$ 8,130	\$ 2,241	\$ 10,371

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 5,638	\$ 1,963	\$ 7,601
Contributions and other additions	609	268	877
Net investment return	998	-	998
Appropriations of endowment assets for expenditures	(325)	-	(325)
Balance, end of year	\$ 6,920	\$ 2,231	\$ 9,151

The 2013 and 2012 appropriations of endowment assets for expenditures consist of \$152 and \$148 for music programming, \$98 and \$98 for training and education of candidates for priesthood, and \$71 and \$79 for other restricted purposes, respectively.

The following table summarizes the changes in unrestricted net assets during the year:

	2013			Total
	Ministry	Endowment		
		Real Estate	Investments	
Balance, beginning of year	\$ 29,409	\$ 416,128	\$ 166,877	\$ 612,414
Change in net assets	(28,415) ^(a)	83,627	25,346	80,558
Appropriated to Ministry from endowment and other transfers	40,046	(40,533)	487	-
Balance, end of year	\$ 41,040	\$ 459,222	\$ 192,710	\$ 692,972

^(a)Change in net assets for Ministry includes postretirement charges other than net periodic costs of \$2,535

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
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**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 3. Net Assets (Continued)

	2012			Total
	Ministry	Endowment		
		Real Estate	Investments	
Balance, beginning of year	\$ 30,169	\$ 376,237	\$ 148,737	\$ 555,143
Change in net assets	(31,769) ^(b)	71,446	17,594	57,271
Appropriated to Ministry from endowment and other transfers	31,009	(31,555)	546	-
Balance, end of year	\$ 29,409	\$ 416,128	\$ 166,877	\$ 612,414

^(b)Change in net assets for Ministry includes postretirement charges other than net periodic costs of \$(1.498)

Note 4. Trinity REIT, Inc.

The REIT issued 120 shares of \$0.01 par value, cumulative, nonvoting preferred stock that is callable at the discretion of the REIT. On the consolidated balance sheets, both par value and additional paid-in capital are included in unrestricted net assets. Holders of the preferred stock are entitled to receive dividends semiannually at a per annum rate equal to 12.5% of the liquidation preference, which is \$1 per share. The REIT issued dividend distributions of \$15 for preferred stock in 2013 and 2012 and \$10,000 for common stock in 2013 and \$11,620 in 2012. As of December 31, 2013 and 2012, there were no dividends in arrears on the preferred stock.

The REIT elected to be taxed as a real estate investment trust under Section 856 of the Code. A real estate investment trust generally will not be subject to federal income taxation on that portion of its income that qualifies as real estate investment trust taxable income, to the extent that it distributes at least 90% of its taxable income to its shareholders and complies with certain other requirements. The REIT fully distributes all of the real estate investment trust taxable income to its shareholders.

Note 5. Accounts, Rent Agreements and Notes Receivable

Accounts, rent agreements and notes receivable consist of the following:

	2013	2012
Tenant receivables	\$ 6,706	\$ 9,738
Rent agreements receivable	1,449	1,984
Notes receivable	253	335
Other receivables	2,302	3,358
	10,710	15,415
Less allowance for doubtful accounts	(724)	(1,051)
Accounts, rent agreements and notes receivable, net	\$ 9,986	\$ 14,364

In 2012, 32% of tenant receivables represented Trinity funded improvements for one tenant. Trinity was fully reimbursed in 2013.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
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**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 6. Investments and Fair Value Measurements

Investments, at fair value, are as follows:

	2013		
	Domestic	Global	Total
Cash and cash equivalents	\$ 2,817	\$ -	\$ 2,817
Fixed income	129	-	129
Equities and Equity Mutual Funds	22,178	61,592	83,770
Energy Funds	-	12,755	12,755
Commodity Fund	-	5,496	5,496
Private Equity Funds:			
Oil and gas	10,866	-	10,866
Distressed	6,228	1,038	7,266
Venture capital	6,682	-	6,682
Commodities	-	494	494
Hedge Funds:			
Multi-strategy	204	66,655	66,859
Distressed	-	6,124	6,124
Purchase Option	1,300	-	1,300
Total investments	\$ 50,404	\$ 154,154	\$ 204,558
	2012		
	Domestic	Global	Total
Cash and cash equivalents	\$ 1,841	\$ -	\$ 1,841
Fixed income	150	-	150
Equities and Equity Mutual Funds	12,504	55,174	67,678
Energy Funds	-	10,361	10,361
Commodity Fund	-	6,349	6,349
Private Equity Funds:			
Oil and gas	10,862	-	10,862
Distressed	7,277	519	7,796
Venture capital	5,698	-	5,698
Commodities	-	265	265
Hedge Funds:			
Multi-strategy	4,016	54,525	58,541
Distressed	-	6,507	6,507
Purchase Option	1,200	-	1,200
Total investments	\$ 43,548	\$ 133,700	\$ 177,248

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
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**Notes to Consolidated Financial Statements
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Note 6. Investments and Fair Value Measurements (Continued)

Trinity invests in a range of asset classes from marketable investments to nonmarketable alternative investments. The marketable investments, including mutual funds and managed funds, primarily hold international and domestic equities and commodities. The nonmarketable alternative investments, including hedge funds, private equity funds and venture capital funds, invest primarily in equities, fixed and floating rate securities, derivatives, energy and energy-related assets and early-stage enterprises.

The investments held by Trinity include commitments to some limited partnerships for additional capital funding from Trinity. Funding of partnership commitments will occur over time with notice from the partnership's general partners. At December 31, 2013, Trinity's outstanding commitments to these limited partnerships approximated \$8,675.

Trinity values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, Trinity utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk in its assessment of fair value.

All transfers between fair value hierarchy levels are determined by Trinity at the end of each year and are recognized as of the beginning of that year. There were four transfers in 2013 and one in 2012 based on the redemption rights of the private investment funds.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Trinity's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

A description of the valuation techniques applied to Trinity's major categories of assets measured at fair value on a recurring basis is provided in the following paragraphs.

Securities traded on a national securities exchange (or reported on the Nasdaq global market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level 1 in the fair value hierarchy.

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Note 6. Investments and Fair Value Measurements (Continued)

Investments in alternative investment funds are valued at fair value based on the applicable percentage ownership of the net assets of each of the investment funds as of the measurement date. In determining fair value, Trinity utilizes, as a practical expedient, the net asset value (or equivalent) provided by the fund managers ("NAV of Funds"). The underlying investment funds value securities and other financial instruments at fair value. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Trinity categorizes its investments in alternative investment funds as a Level 2 fair value measurement if Trinity has the ability to redeem its investment within 90 days or less from the consolidated balance sheet date. All other investment funds, including private equity funds, are categorized as Level 3.

The fair value of Trinity's purchase option is based on the appraised value of the shares of capital stock of the corporation allocable to the apartment from which the purchase option derives its value, and is classified as a Level 3 instrument.

Trinity's estimates of fair value for Levels 2 and 3 may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of the alternative investment funds are audited annually by independent auditing firms.

Investments carried at fair value at December 31, 2013 and 2012 are classified in the following tables in one of the three levels described earlier.

	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,817	\$ -	\$ -	\$ 2,817
Fixed income	129	-	-	129
Equities and Equity Mutual Funds	53,726	30,044	-	83,770
Energy Funds	3,359	9,396	-	12,755
Commodity Fund	-	5,496	-	5,496
Private Equity Funds:				
Oil and gas	-	-	10,866	10,866
Distressed	-	-	7,266	7,266
Venture capital	-	-	6,682	6,682
Commodities	-	-	494	494
Hedge Funds:				
Multi-strategy	-	37,058	29,801	66,859
Distressed	-	-	6,124	6,124
Purchase Option	-	-	1,300	1,300
Total	\$ 60,031	\$ 81,994	\$ 62,533	\$ 204,558

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Note 6. Investments and Fair Value Measurements (Continued)

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,841	\$ -	\$ -	\$ 1,841
Fixed Income	150	-	-	150
Equities and Equity Mutual Funds	34,810	32,868	-	67,678
Energy Funds	2,767	7,594	-	10,361
Commodity Fund	-	6,349	-	6,349
Private Equity Funds:				
Oil and gas	-	-	10,862	10,862
Distressed	-	-	7,796	7,796
Venture capital	-	-	5,698	5,698
Commodities	-	-	265	265
Hedge Funds:				
Multi-strategy	-	49,204	9,337	58,541
Distressed	-	-	6,507	6,507
Purchase Option	-	-	1,200	1,200
Total	\$ 39,568	\$ 96,015	\$ 41,665	\$ 177,248

Substantially all Level 3 investments were valued using NAV of the Funds (practical expedient) as described above. There were no unobservable quantitative inputs used in the valuation of Trinity's Level 3 investments as of December 31, 2013 and 2012, except for the purchase option valued at \$1,300 and \$1,200, respectively, which was valued using market comparables.

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Note 6. Investments and Fair Value Measurements (Continued)

The following table summarizes the investment strategies and liquidity provisions of the Level 2 and Level 3 investment funds valued at the NAV as provided by the fund managers as of December 31, 2013:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
			Daily, Bi-Weekly and Monthly ^(a)	12 or 30 days ^(a)
Equities and Equity Mutual Funds	\$ 30,044	\$ -		
Energy Funds	9,396	-	Daily	None
Commodity Fund	5,496	-	Daily	None
Private Equity Funds:				
Oil and gas	10,866	3,050	Illiquid	N/A
Distressed	7,266	2,383	Illiquid	N/A
Venture capital	6,682	1,800	Illiquid	N/A
Commodities	494	1,442	Illiquid	N/A
Hedge Funds:				
Multi-strategy	66,859	-	Varies ^(b)	30 to 90 days
Distressed	6,124	-	Quarterly	Annually
Purchase Option	1,300	-	Illiquid	N/A
Total	\$ 144,527	\$ 8,675		

(a) Redemption frequency is permitted as follows: \$9.2 million daily and \$11.6 million bi-weekly and \$9.2 million monthly. Redemption notice periods are as follows: \$11.6 million, 12 days notice and \$18.4 million, 30 days notice.

(b) Redemption frequency is permitted as follows: \$9.9 million monthly; \$26.9 million quarterly; \$12.8 million semi-annually; \$17.0 million annually; \$0.2 million illiquid.

As of December 31, 2013, the expected remaining life of each of the Private Equity Funds is as follows:

	1 to 5 Years	6 to 10 Years	Total
Private Equity Funds:			
Oil and gas	\$ 8,061	\$ 2,805	\$ 10,866
Distressed	4,197	3,069	7,266
Venture capital	-	6,682	6,682
Commodities	-	494	494
Total	\$ 12,258	\$ 13,050	\$ 25,308

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Note 6. Investments and Fair Value Measurements (Continued)

Changes in assets measured at fair value using Level 3 inputs for the years ended December 31, 2013 and 2012 are as follows:

	2013					
	Balance January 1, 2013	Net Realized and Unrealized Gains (Losses) and Other Income	Purchases and Other Adjustments	Sales and Other Adjustments	Transfer from Level 2 to Level 3 ^(a)	Balance December 31, 2013
Private Equity Funds:						
Oil and gas	\$ 10,862	\$ (379)	\$ 1,784	\$ (1,401)	\$ -	\$ 10,866
Distressed	7,796	917	1,010	(2,457)	-	7,266
Venture capital	5,698	994	625	(635)	-	6,682
Commodities	265	(30)	259	-	-	494
Hedge Funds:						
Multi-strategy	9,337	6,055	-	(34)	14,443	29,801
Distressed	6,507	1,046	-	(1,429)	-	6,124
Purchase Option	1,200	100	-	-	-	1,300
Total	\$ 41,665	\$ 8,703	\$ 3,678	\$ (5,956)	\$ 14,443	\$ 62,533

^(a) Transfer from Level 2 to Level 3 due to limited annual withdrawals and illiquidity.

	2012					
	Balance January 1, 2012	Net Realized and Unrealized Gains (Losses) and Other Income	Purchases and Other Adjustments	Sales and Other Adjustments	Transfer from Level 3 to Level 2 ^(a)	Balance December 31, 2012
Private Equity Funds:						
Oil and gas	\$ 9,776	\$ 1,136	\$ 1,429	\$ (1,479)	\$ -	\$ 10,862
Distressed	6,624	962	928	(718)	-	7,796
Venture capital	4,784	385	950	(421)	-	5,698
Commodities	47	(34)	252	-	-	265
Hedge Funds:						
Multi-strategy	12,134	1,102	-	(49)	(3,850)	9,337
Distressed	7,601	868	-	(1,962)	-	6,507
Purchase Option	1,100	100	-	-	-	1,200
Total	\$ 42,066	\$ 4,519	\$ 3,559	\$ (4,629)	\$ (3,850)	\$ 41,665

^(a) Transfer from Level 3 to Level 2 due to expiration of lock-up.

The change in unrealized appreciation (depreciation) attributable to Level 3 investments still in position as of December 31, 2013 and 2012 was \$7,277 and \$2,216, respectively.

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Note 6. Investments and Fair Value Measurements (Continued)

The components of return on the investment portfolio as reported in the consolidated statements of activities consist of the following:

	<u>2013</u>	<u>2012</u>
Net realized/unrealized gains	\$ 26,441	\$ 18,367
Interest and dividends	1,795	1,691
Investment management fees	(456)	(789)
Investment related expenses	<u>(1,033)</u>	<u>(677)</u>
Return on investment portfolio	<u>\$ 26,747</u>	<u>\$ 18,592</u>

Note 7. Purchase Option

Trinity entered into a purchase option giving it the right to acquire all of the rights, title and interest in the capital stock of a certain corporation that are allocable to a certain apartment in New York City, as well as the lessee's rights under the proprietary lease for such apartment. A purchase option is a derivative instrument that entitles the holder to buy the stock of a company through a specified term at a specified price. A purchase option is subject to equity price risk and its value will fluctuate with the price of the underlying security ("intrinsic value"). Upon expiration, the options have no value unless the price of the common stock is greater than the exercise price.

Note 8. Investment in Real Estate and Deferred Leasing Costs

Trinity owns and manages approximately 5.6 million rentable square feet of commercial properties, primarily office facilities. Trinity has three properties that are ground leased to third parties and four development sites. Trinity's properties are predominantly located in lower Manhattan within the area known as Hudson Square, in the City of New York.

Tenants are principally in the advertising, entertainment, publishing and news media, professional services, financial services, government, education, and information technology industries. Investments in real estate consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 11,487	\$ 11,487
Buildings and improvements	390,329	370,512
Tenant installation costs	<u>134,327</u>	<u>123,890</u>
	536,143	505,889
Less accumulated depreciation and amortization	<u>189,472</u>	<u>166,202</u>
Investment in real estate, net	<u>\$ 346,671</u>	<u>\$ 339,687</u>

Depreciation and amortization expense for the assets noted above amounted to \$23,112 and \$21,815 in 2013 and 2012, respectively.

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Note 8. Investment in Real Estate and Deferred Leasing Costs (Continued)

Trinity has commitments from existing tenants under non-cancellable leases for future minimum rental income related to its commercial property and ground leases subsequent to December 31, 2013 as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 175,194
2015	173,728
2016	166,263
2017	149,924
2018	147,549
Thereafter	<u>1,347,946</u>
Total	<u>\$ 2,160,604</u>

Future minimum rental income excludes amounts to be received for real estate tax, Consumer Price Index escalations and additional rents related to ground leases, which are all contingent upon future economic events.

Deferred leasing costs consist of the following:

	<u>2013</u>	<u>2012</u>
Deferred leasing costs	\$ 60,781	\$ 56,865
Less accumulated amortization	<u>20,722</u>	<u>16,218</u>
Deferred leasing costs, net	<u>\$ 40,059</u>	<u>\$ 40,647</u>

Amortization expense for the assets noted above amounted to \$5,613 and \$4,548 in 2013 and 2012, respectively.

Note 9. Property and Equipment

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Church and educational properties	\$ 45,366	\$ 36,814
Clergy housing	11,182	11,182
Programmatic real estate properties	35,367	33,806
Furniture, fixtures and equipment	<u>11,160</u>	<u>10,429</u>
	103,075	92,231
Less accumulated depreciation and amortization	<u>50,309</u>	<u>46,285</u>
Property and equipment, net	<u>\$ 52,766</u>	<u>\$ 45,946</u>

Depreciation and amortization expense for the assets noted above amounted to \$4,062 and \$4,525 in 2013 and 2012, respectively.

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Note 10. Tenant Security Deposits

Tenant security deposits include cash deposits held in interest-bearing trust accounts at financial institutions on behalf of tenants to secure obligations under terms of the leases. In addition, in lieu of cash deposits certain tenants have elected to provide irrevocable letters of credit naming Trinity as beneficiary. These letters of credit also act as security pursuant to obligations under the terms of the lease agreements and total \$44,048 and \$45,402 at December 31, 2013 and 2012, respectively.

Note 11. Mortgage Payable - St. Margaret's House

St. Margaret's House is indebted to the U.S. Department of Housing and Urban Development ("HUD") under a loan agreement dated December 1979, which is secured by the property financed with the proceeds of the loan. The loan bears interest at 7.625% per annum and is payable in monthly installments through December 2021. Interest expense was \$526 and \$567 for the years ended December 31, 2013 and 2012, respectively. Principal amounts maturing in each of the five years subsequent to December 31, 2013 and thereafter are as follows: \$601 in 2014, \$649 in 2015, \$700 in 2016, \$755 in 2017, \$815 in 2018 and \$3,120 thereafter.

Note 12. Employee Benefits and Other Postretirement Plans

Trinity sponsors two defined contribution pension plans covering all eligible employees other than clergy. Contributions are based on 5% of each covered employee's salary in 2013 and 2012 and totaled \$795 and \$764, respectively.

Trinity sponsors two thrift plans as supplemental plans for the above two defined contribution plans, which cover certain employees and clergy. Contributions by employees are matched at the discretion of the Vestry. Trinity contributed \$722 and \$649 in 2013 and 2012, respectively, which represent up to 5% of each covered employee's salary in each year.

In addition, Trinity provides pension benefits for certain employees covered under a former defined benefit plan. The benefits under the current plan represent the difference between benefits payable under the current 403(b) plan and their former defined benefit plan. The accumulated pension benefits payable for that plan was \$322 and \$433 as of December 31, 2013 and 2012, respectively.

Trinity provides certain postretirement health and life insurance benefits for retired employees and certain dependents, as these employees become eligible. The plan was amended in 2000, effective January 1, 2001, such that these benefits are not available to new employees and their dependents. In addition, benefits were modified for current employees and retirees.

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**Notes to Consolidated Financial Statements
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Note 12. Employee Benefits and Other Postretirement Plans (Continued)

The following is a summary of the funded status, change in funded status and amounts recognized in the consolidated financial statements for pension benefits and postretirement health and life insurance benefits:

	Pension Benefits		Postretirement Health and Life Insurance Benefits	
	2013	2012	2013	2012
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 753	\$ 561	\$ 9,809	\$ 8,343
Service cost	1	-	170	161
Interest cost	28	23	307	350
Benefits paid	-	-	(307)	(332)
Actuarial (gain) loss	(249)	169	(2,301)	1,287
Benefit obligation, end of year	533	753	7,678	9,809
Change in plan assets:				
Employer contributions	-	-	307	332
Benefits paid	-	-	(307)	(332)
	-	-	-	-
Funded status, end of year, and amounts recognized as liability in consolidated balance sheets	\$ (533)	\$ (753)	\$ (7,678)	\$ (9,809)

Net periodic benefit cost for the plans includes the following components:

	Pension Benefits		Postretirement Health and Life Insurance Benefits	
	2013	2012	2013	2012
Service cost	\$ 1	\$ -	\$ 170	\$ 161
Interest cost	28	23	307	350
Recognized net actuarial (gain) loss	(15)	(67)	-	25
Net benefit periodic cost	\$ 14	\$ (44)	\$ 477	\$ 536

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Note 12. Employee Benefits and Other Postretirement Plans (Continued)

Other changes in benefit obligations recognized in changes in unrestricted net assets for the years ended December 31, 2013 and 2012 are sensitive to expected discount rate assumptions, plan participants and assumptions regarding the costs to purchase annuities and future healthcare costs. These changes consist of the following:

	Pension Benefits		Postretirement Health and Life Insurance Benefits	
	2013	2012	2013	2012
Net unrecognized gain (loss) and prior service credit (cost), beginning of year	\$ 134	\$ 370	\$ (2,257)	\$ (995)
Actuarial gain (loss)	249	(169)	2,301	(1,287)
Recognized net actuarial (gain) loss	(15)	(67)	-	25
Net unrecognized gain (loss) and prior service credit (cost), end of year	\$ 368	\$ 134	\$ 44	\$ (2,257)

Estimated amounts to be recognized in benefit costs in 2014 consist of the following:

	Pension Benefits	Postretirement Health and Life Insurance Benefits
Net gain	\$ (95)	\$ -
Prior service cost	-	-
Service cost	-	-

The following table provides the weighted-average assumptions as of the measurement date:

	Pension Benefits		Postretirement Health and Life Insurance Benefits	
	2013	2012	2013	2012
Discount rate	4.50%	3.75%	4.50%	3.75%
Rate of compensation increase	3.50%	3.50%	0.00%	0.00%
Expected return on plan assets	6.25%	6.25%	N/A	N/A

The Medical Trend Assumption was changed effective December 31, 2013 to an initial rate of 7.0% per year grading down to 4.5% per year in 2018 and thereafter.

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Note 12. Employee Benefits and Other Postretirement Plans (Continued)

The healthcare cost trend rate assumption has a significant effect on the amounts reported. For the year ended December 31, 2013, the effect of a 1% increase (decrease) in the assumed healthcare trend cost rates on the aggregate of the service and interest cost components of net periodic postretirement healthcare benefit cost and the accumulated postretirement benefit obligation for healthcare benefits is as follows:

	1% Increase	1% Decrease
Interest and service cost	\$ 92	\$ (71)
Accumulated postretirement benefit obligation	1,130	(915)

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year ending December 31,</u>	<u>Pension Benefits</u>	<u>Postretirement Health and Life Insurance Benefits</u>
2014	\$ 30	\$ 385
2015	300	411
2016	-	433
2017	-	446
2018	-	447
Thereafter	123	2,260
Total	\$ 453	\$ 4,382

Trinity expects to contribute \$30 to its pension plan and \$385 to its postretirement health and life insurance benefit plan in 2014.

The clergy employees of Trinity are covered under a multi-employer defined benefit pension plan sponsored by the National Episcopal Church. Contributions are based upon a percentage of salaries and housing allowances and totaled \$375 and \$321 in 2013 and 2012, respectively.

Note 13. Notes and Loans

Revolving Credit Facilities: The REIT has two \$25 million unsecured committed revolving credit facilities. The facilities can be drawn and paid down at any time until January 28, 2016, when they mature and any amounts outstanding will be payable. The facilities have variable interest rates of LIBOR plus 140 basis points. There were no loans outstanding under these facilities at December 31, 2013.

Private Placement Notes: The REIT has two \$100 million uncommitted private placement shelf facilities. These facilities were renewed in January 2014 and will expire on January 28, 2017.

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Note 13. Notes and Loans (Continued)

The REIT has a total of \$59 million in unsecured private placement notes under the shelf facilities in three series. The first series of notes was priced at 3.59% and has a final maturity in 2019. The second series was priced at 4.68% and has a final maturity in 2023. The third series was priced at 4.91% and has a final maturity in 2025. The proceeds were used to pay off existing debt.

At December 31, 2013, the scheduled principal payments on the private placement notes payable are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 2,000
2015	2,500
2016	3,000
2017	4,000
2018	5,000
Thereafter	<u>42,500</u>
Total	<u>\$ 59,000</u>

The revolving credit facilities and the private placement notes include various covenants which, among other matters, require Trinity to maintain a specified debt service coverage ratio and various types of debt to asset ratios. Trinity is in compliance with these covenants at December 31, 2013 and 2012.

Note 14. Commitments and Contingencies

Trinity and the REIT have agreements to purchase electricity from Direct Energy, which will expire in September 2016. The pricing is based upon a fixed rate and floating New York Installed Capacity ("ICAP") rate.

Trinity and the REIT enter into multi-year contracts to cover the cleaning, maintenance and security for their commercial real estate buildings and the properties of the ministry (the "mission properties"). Consistent with many tenant leases, there are commitments for lease and tenant-related work outstanding at any point in time. Additionally, Trinity has various commitments related to upkeep on the mission properties. These contracts are funded predominantly through normal operating cash flow and supplemental borrowing as needed.

Trinity has entered into and is negotiating multi-year contracts with architects and contractors related to its plan to demolish and redevelop 68/74 Trinity Place, which houses Trinity's parish offices, preschool and commercial tenants. As of the audit report date, the decision to undertake this significant project is still under consideration and the contracts signed are funded through normal operating cash flow.

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Note 14. Commitments and Contingencies (Continued)

Trinity executed noncancellable leases for the preschool and temporary space for the parish offices and accounts for these leases as operating leases. The lease for the temporary space for the parish offices provides for reimbursement of certain costs in connection with the build-out of the unit. The commencement date is subject to substantial completion of Landlord's work, which has not been completed as of the date of the financial statements. Future minimum rental payments due under the leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2014	\$ 1,032
2015	3,268
2016	3,300
2017	3,300
2018	3,318
Thereafter	<u>9,202</u>
Total	<u>\$ 23,420</u>

The total rent expense included in the statement of activities for the year ended December 31, 2013 on a straight-line basis is \$156.

Trinity, as an owner of real estate, is subject to various environmental laws of the federal and local governments. Compliance by Trinity with existing laws has not had a material adverse effect on Trinity's consolidated financial position and changes in net assets, and management does not believe it will have such an impact in the future. However, Trinity cannot predict the impact of new or changed laws or regulations on its properties.

Trinity is not aware of any pending or threatened litigation other than routine litigation arising out of the normal course of business which is expected to be covered by liability insurance. None of such litigation is expected to have a material adverse effect on its consolidated financial position or changes in net assets or cash flows.

Note 15. Risks and Concentrations

Concentration of Credit Risk: Financial instruments, which potentially subject Trinity to concentrations of credit risk, consist of cash and cash equivalents and tenant security deposits.

Trinity places its cash and cash equivalents and tenant security deposits with creditworthy, high-quality financial institutions which, at times, may exceed federally insured limits. Trinity has not experienced any losses in these accounts and management believes that this risk is not significant.

Market Risk of Investment Portfolio: Market risk represents the potential loss that can be caused by a change in the market value of the financial instrument. Trinity's exposure to market risk is determined by a number of factors, including interest rates and market volatility. Trinity attempts to minimize exposure to such risks by diversifying its portfolio and engaging an investment advisor.

Real Estate-Related Concentration: Trinity's real estate portfolio is predominantly located in lower Manhattan within the area known as Hudson Square. Leasing-related revenue is derived principally through rental payments as provided for under the terms of the respective noncancellable operating leases. For the year ended December 31, 2013, no tenants accounted for a significant concentration of leasing-related revenue. For the year ended December 31, 2012 one tenant accounted for more than 10% of leasing related revenue.

**The Rector, Church-Wardens, and Vestrymen of Trinity Church, in
the city of New-York and Subsidiaries**

**Notes to Consolidated Financial Statements
(all dollar amounts in thousands unless otherwise indicated)**

Note 16. Income Taxes

Trinity had taken no uncertain tax positions that would require adjustments to the accompanying consolidated financial statements. Trinity is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for the years before 2010.