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

Consolidated Financial Report
December 31, 2014 and 2013

McGladrey

Assurance ▪ Tax ▪ Consulting

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McGladrey

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, 2014 and 2013, 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 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 financial position of The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries as of December 31, 2014 and 2013, 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 30, 2015

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

Consolidated Balance Sheets
December 31, 2014 and 2013
(all dollar amounts in thousands)

		2014		2013
Assets				
Cash and Cash Equivalents	**$**	**57,232**	$	27,587
Accounts, Rent Agreements and Notes Receivable, Net		**8,377**		9,986
Deferred Rent, Net		**138,816**		134,952
Tenant Security Deposits		**12,503**		12,514
Investments, at Fair Value		**210,246**		203,258
Property and Equipment, Net		**61,891**		54,066
Deferred Leasing Costs, Net		**41,303**		40,059
Investment in Real Estate, Net		**342,441**		346,671
Other Assets		**5,425**		6,003
Total assets	**$**	**878,234**	$	835,096
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued liabilities	**$**	**43,249**	$	35,753
Grants payable		**2,317**		2,930
Tenant security deposits		**12,503**		12,514
Mortgage payable - St. Margaret’s House		**6,039**		6,640
Pension and other postretirement benefits payable		**10,282**		8,211
Private placement notes payable		**57,000**		59,000
Other liabilities		**7,876**		6,705
Total liabilities		**139,266**		131,753
Net Assets				
Unrestricted:				
Ministry		**39,887**		41,040
Endowment:				
Real Estate		**489,294**		459,222
Investments		**199,871**		192,710
Total unrestricted net assets		**729,052**		692,972
Temporarily restricted - Ministry		**7,806**		8,130
Permanently restricted - Ministry		**2,110**		2,241
Total net assets		**738,968**		703,343
Total liabilities and net assets	**$**	**878,234**	$	835,096

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, 2014 and 2013
(all dollar amounts in thousands)

	2014	2013
Change in Unrestricted Net Assets		
Ministry		
Ministry revenue:		
Fees and preschool tuition	**$ 3,231**	$ 3,597
St. Margaret's House	**5,001**	5,461
Contributions and donations	**1,755**	1,226
All other revenue	**1,148**	2,144
Release from restrictions and reclassifications	**945**	321
Total ministry revenue	**12,080**	12,749
Ministry expenses		
Parish ministries	**16,637**	13,589
St. Margaret's House	**4,436**	5,307
Grants, other gifts and diocesan assessment	**6,364**	5,953
Ministry properties and facilities support	**11,946**	9,038
Communications	**5,613**	5,152
Business office and institutional expenditures	**4,679**	4,493
Total ministry expenses	**49,675**	43,532
Loss and other costs on planned demolition of 68/74 Trinity Place	**12,160**	-
Net deficiency from ministry	**(49,755)**	(30,783)
Return from endowment		
Commercial real estate operations:		
Leasing-related revenue	**206,153**	195,847
Operating expenses	**(92,126)**	(83,157)
Depreciation and amortization	**(31,680)**	(29,215)
Dividend distributions - REIT	**(15)**	(15)
Net support from commercial real estate operations	**82,332**	83,460
Return on investment portfolio	**5,563**	25,346
Total return from endowment	**87,895**	108,806
Postretirement Related Charges Other Than Net Periodic Costs	**(2,060)**	2,535
Change in unrestricted net assets	**36,080**	80,558
Change in Temporarily Restricted Net Assets		
Return on investment portfolio	**450**	1,401
Contributions	**45**	130
Release from restrictions and reclassifications	**(819)**	(321)
Change in temporarily restricted net assets	**(324)**	1,210
Change in Permanently Restricted Net Assets		
Contributions and change in value of interest in perpetual trust	**(5)**	10
Reclassifications	**(126)**	-
Change in permanently restricted net assets	**(131)**	10
Change in net assets	**35,625**	81,778
Net Assets		
Beginning	**703,343**	621,565
Ending	**$ 738,968**	$ 703,343

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, 2014 and 2013
(all dollar amounts in thousands)

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	**$ 35,625**	$ 81,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**35,572**	32,787
Loss on planned demolition of 68/74 Trinity Place	**8,049**	-
Bad debts expense	**441**	96
Postretirement related charges other than net periodic costs	**2,060**	(2,535)
Straight-lining of rent, net	**(3,864)**	(16,339)
Dividend distributions - REIT	**15**	15
Net gain on investments	**(4,468)**	(26,441)
Change in value of interest in perpetual trust	**5**	(10)
Changes in operating assets and liabilities:		
Accounts, rent agreements and notes receivable, net	**1,168**	4,283
Accounts payable and accrued liabilities	**6,532**	(2,073)
Other changes, net	**1,142**	1,934
Net cash provided by operating activities	**82,277**	73,495
Cash Flows from Investing Activities		
Additions to real estate improvements	**(21,759)**	(40,191)
Additions to deferred leasing costs	**(6,289)**	(4,417)
Purchases of investments	**(141,414)**	(16,371)
Sales of investments	**138,894**	15,502
Additions to property and equipment	**(19,448)**	(11,508)
Net cash used in investing activities	**(50,016)**	(56,985)
Cash Flows from Financing Activities		
Principal payments - Private placement notes payable	**(2,000)**	(1,000)
Principal payments - Revolving credit notes payable	**-**	(10,000)
Principal payments on mortgage - St. Margaret's House	**(601)**	(557)
Dividend distributions - REIT	**(15)**	(15)
Net cash used in financing activities	**(2,616)**	(11,572)
Net increase in cash and cash equivalents	**29,645**	4,938
Cash and Cash Equivalents		
Beginning	**27,587**	22,649
Ending	**$ 57,232**	$ 27,587
Supplemental Disclosure of Cash Flow Information		
Interest paid	**$ 3,168**	$ 3,269
Supplemental Disclosures of Noncash Investing Activities		
Construction costs included in accounts payable and accrued liabilities	**$ 3,702**	$ 3,889
Leasing commissions included in accounts payable and accrued liabilities	**$ 2,114**	$ 2,129
Tenant improvements included in accounts payable and accrued liabilities	**$ 19,441**	$ 18,276

See Notes to Consolidated Financial Statements.

Note 1. Organization

The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries (Trinity), a parish in the Episcopal Diocese of New York, are 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 III 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 effective in November 2012. On March 27, 2014, Trinity entered into a contract to sell 317 acres of land to the Cornwall Conservation Trust, Inc. and expects to close the sale in the third quarter of 2015. Future use of the remaining property is under discussion.

- 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.

- Trinity Hudson Holdings, LLC (THH): THH is a Delaware limited liability company established in April 2014 to own and operate certain buildings within Trinity's real estate portfolio. Trinity owns 100% of the voting common units (Note 4).

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, the REIT, and THH (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.

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of accounting and financial statement presentation (continued): 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.

- 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 gains or losses.

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.

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, 2014 is adequate. However, actual write-offs may exceed the recorded allowance.

Note 2. Summary of Significant Accounting Policies (Continued)

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: 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, and are included within other assets on the consolidated balance sheets.

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 and committed to the recipient.

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 consolidated statements of activities include contributed services at December 31, 2014 and 2013 of approximately $987 and $530, respectively, in support of ministry activities.

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

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2014 and 2013.

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 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, 2014 and 2013 is $10,583 and $10,209, 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, 2014 and 2013 is $61,327 and $62,433, respectively.

There have been no changes in the methodologies used for estimating fair values of significant financial instruments as of December 31, 2014 and 2013.

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 in other liabilities on the accompanying consolidated balance sheets.

Reclassifications: Certain amounts and accounts reported in the 2013 consolidated financial statements, including certain components of net assets (Note 3), have been reclassified to conform to the 2014 consolidated financial statement presentation. The reclassifications had no effect on the reported total assets, liabilities and net assets as of December 31, 2013 and the changes in net assets for the year ended December 31, 2013.

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 30, 2015 for these 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:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor and other restricted funds for Trinity's ministry				
Music programming	$ -	$ 3,747	$ -	$ 3,747
Training and education of candidates for priesthood in the Episcopal Church	-	1,256	1,184	2,440
Other restricted funds	-	2,803	926	3,729
	-	7,806	2,110	9,916
Others				
Ministry	39,887	-	-	39,887
Endowment:				
Real estate[(a)]	489,294	-	-	489,294
Investments	199,871	-	-	199,871
	729,052	-	-	729,052
Total net assets	$ 729,052	$ 7,806	$ 2,110	$ 738,968

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor and other restricted funds for Trinity's ministry				
Music programming	$ -	$ 3,719	$ -	$ 3,719
Training and education of candidates for priesthood in the Episcopal Church	-	1,242	1,184	2,426
Other restricted funds	-	3,169	1,057	4,226
	-	8,130	2,241	10,371
Others				
Ministry	41,040	-	-	41,040
Endowment:				
Real estate[(a)]	459,222	-	-	459,222
Investments	192,710	-	-	192,710
	692,972	-	-	692,972
Total net assets	$ 692,972	$ 8,130	$ 2,241	$ 703,343

[(a)] Includes preferred stock in the REIT of $120

The endowment, which includes both donor-restricted and unrestricted funds, supports 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.

(all dollar amounts in thousands unless otherwise indicated)

Note 3. Net Assets (Continued)

Trinity's continued intention is for the endowment to exist in perpetuity and grow over time. The Vestry is responsible for overseeing the endowment. The Vestry oversees 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 Sustainability and Risk Oversight Committee, in accordance with the policies and procedures approved by the Vestry, has responsibility to develop, recommend to the Vestry and oversee the implementation of the overall asset allocation policies to secure, use prudently and grow the endowment, which is primarily unrestricted. 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 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.

In 2014, Trinity reviewed the components of its net assets and identified certain unrestricted gifts amounting to $12 and $126 that were received in previous periods and had been reported as temporarily restricted and permanently restricted net assets, respectively. Accordingly, Trinity made the necessary reclassifications among the unrestricted, temporarily restricted, and permanently restricted net asset classes.

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

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ 8,130	$ 2,241	$ 10,371
Contributions and other additions (deductions)	45	(5)	40
Net investment return	450	-	450
Appropriations of endowment assets for expenditures for specific ministry programs	(807)	-	(807)
Reclassifications, net, to unrestricted net assets	(12)	(126)	(138)
Balance, end of year	$ 7,806	$ 2,110	$ 9,916

(all dollar amounts in thousands unless otherwise indicated)

Note 3. Net Assets (Continued)

	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 for specific ministry programs	(321)	-	(321)
Balance, end of year	$ 8,130	$ 2,241	$ 10,371

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

	2014			
		Endowment		
	Ministry	Real Estate	Investments	Total
Balance, beginning of year	$ 41,040	$ 459,222	$ 192,710	$ 692,972
Change in net assets	(51,815) [a]	82,332	5,563	36,080
Appropriated to Ministry from endowment and other transfers	50,662	(52,260)	1,598	-
Balance, end of year	$ 39,887	$ 489,294	$ 199,871	$ 729,052

[a] Change in net assets for Ministry includes $(12,160) of loss and other costs on planned demolition of 68/74 Trinity Place, postretirement charges other than net periodic costs of $(2,060) and net reclassifications of $12 and $126 from temporarily restricted and permanently restricted net assets, respectively.

	2013			
		Endowment		
	Ministry	Real Estate	Investments	Total
Balance, beginning of year	$ 29,409	$ 416,128	$ 166,877	$ 612,414
Change in net assets	(28,248) [a]	83,460	25,346	80,558
Appropriated to Ministry from endowment and other transfers	39,879	(40,366)	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

Note 4. Investment in Real Estate Subsidiaries

Trinity REIT, Inc. has outstanding 120 shares of 1 cent 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 2014 and 2013 and $16,000 for common stock in 2014 and $10,000 in 2013. As of December 31, 2014 and 2013, there were no dividends in arrears on the preferred stock.

(all dollar amounts in thousands unless otherwise indicated)

Note 4. Investment in Real Estate Subsidiaries (Continued)

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.

On May 1, 2014, The Rector, Church-Wardens and Vestrymen of Trinity Church in the city of New-York contributed to Trinity Hudson Holdings, LLC certain assets with a carrying value of $374,553 in exchange for 1,000 units of 1 cent par value common units of THH. No gain or loss was recognized in connection with this transfer of assets to THH. THH issued dividend distributions of $22,500 for common units in 2014.

Additionally, in January 2015, THH issued 125 shares of 1 cent par value, cumulative, nonvoting preferred stock that is callable at the discretion of THH. 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. THH intends to elect to be taxed as a real estate investment trust under Section 856 of the Code.

Note 5. Accounts, Rent Agreements and Notes Receivable

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

	2014	2013
Accounts receivable - Tenants	$ 6,130	$ 6,706
Rent agreements receivable	1,110	1,449
Notes receivable	160	253
Other receivables	1,988	2,302
	9,388	10,710
Less allowance for doubtful accounts	(1,011)	(724)
Accounts, rent agreements and notes receivable, net	$ 8,377	$ 9,986

(all dollar amounts in thousands unless otherwise indicated)

Note 6. Investments and Fair Value Measurements

Investments, at fair value, are as follows:

	2014		
	Domestic	Global	Total
Cash and cash equivalents	$ 8,974	$ -	$ 8,974
Fixed income	123	18,612	18,735
Equities and Equity Mutual Funds	48,641	54,452	103,093
Private Equity Funds			
Oil and gas	9,328	-	9,328
Distressed	5,125	1,487	6,612
Venture capital	8,583	-	8,583
Commodities	-	846	846
Hedge Funds			
Multi-strategy	179	47,879	48,058
Distressed	-	6,017	6,017
Total investments	$ 80,953	$ 129,293	$ 210,246

	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
Total investments	$ 49,104	$ 154,154	$ 203,258

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. During 2014, Trinity repositioned its portfolio.

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, 2014, Trinity's outstanding commitments to these limited partnerships approximated $6,011.

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 two transfers in 2014 and four in 2013 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.

(all dollar amounts in thousands unless otherwise indicated)

Note 6. Investments and Fair Value Measurements (Continued)

Securities traded on a national securities exchange (or reported on the Nasdaq global market), such as fixed income securities, equities and equity mutual funds, 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.

Investments in alternative investment funds are comprised of private equity and hedge funds. These investments 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.

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, 2014 and 2013 are classified in the following tables in one of the three levels described earlier.

	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 8,974	$ -	$ -	$ 8,974
Fixed income	18,735	-	-	18,735
Equities and Equity Mutual Funds	69,505	33,588	-	103,093
Private Equity Funds				
Oil and gas	-	-	9,328	9,328
Distressed	-	-	6,612	6,612
Venture capital	-	-	8,583	8,583
Commodities	-	-	846	846
Hedge Funds				
Multi-strategy	-	11,638	36,420	48,058
Distressed	-	-	6,017	6,017
Total	$ 97,214	$ 45,226	$ 67,806	$ 210,246

(all dollar amounts in thousands unless otherwise indicated)

Note 6. Investments and Fair Value Measurements (Continued)

	2013			
	Level 1	Level 2	Level 3	Total
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
Total	$ 60,031	$ 81,994	$ 61,233	$ 203,258

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, 2014 and 2013.

(all dollar amounts in thousands unless otherwise indicated)

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, 2014:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities and Equity Mutual Funds	$ 33,588	$ -	Biweekly and Monthly [(a)]	8 or 30 days [(a)]
Private Equity Funds				
Oil and gas	9,328	1,409	Illiquid	N/A
Distressed	6,612	1,938	Illiquid	N/A
Venture capital	8,583	1,488	Illiquid	N/A
Commodities	846	1,176	Illiquid	N/A
Hedge Funds				
Multi-strategy	48,058	-	Varies [(b)]	45 to 65 days
Distressed	6,017	-	Quarterly	90 days
Total	$ 113,032	$ 6,011		

(a) Redemption frequency is permitted as follows: $15.7 million biweekly and $17.9 million monthly. Redemption notice periods are as follows: $15.7 million, 8 days notice and $17.9 million, 30 days' notice.

(b) Redemption frequency is permitted as follows: $11.6 million monthly; $12.2 million quarterly; $9.7 million semiannually; $12.4 million annually; $0.5 million illiquid. Investments totaling $1.6 million have been fully redeemed and will be received the second quarter of 2015.

As of December 31, 2014, 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	$ 5,525	$ 3,803	$ 9,328
Distressed	6,612	-	6,612
Venture capital	-	8,583	8,583
Commodities	-	846	846
Total	$ 12,137	$ 13,232	$ 25,369

(all dollar amounts in thousands unless otherwise indicated)

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, 2014 and 2013 are as follows:

	2014					
	Balance January 1, 2014	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, 2014
Private Equity Funds						
Oil and gas	$ 10,866	$ (249)	$ 1,792	$ (3,081)	$ -	$ 9,328
Distressed	7,266	828	420	(1,902)	-	6,612
Venture capital	6,682	2,566	313	(978)	-	8,583
Commodities	494	208	266	(122)	-	846
Hedge Funds						-
Multi-strategy	29,801	2,191	17,950	(14,428)	906	36,420
Distressed	6,124	(81)	3	(29)	-	6,017
Total	$ 61,233	$ 5,463	$ 20,744	$ (20,540)	$ 906	$ 67,806

	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
Total	$ 40,465	$ 8,603	$ 3,678	$ (5,956)	$ 14,443	$ 61,233

[a] Transfer from Level 2 to Level 3 due to limited annual withdrawals and illiquidity.

The change in unrealized appreciation (depreciation) attributable to Level 3 investments still in position as of December 31, 2014 and 2013 was $1,660 and $7,177, respectively.

(all dollar amounts in thousands unless otherwise indicated)

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:

	2014	2013
Net realized/unrealized gains	$ 4,468	$ 26,441
Interest and dividends	3,322	1,795
Investment management fees	(571)	(456)
Investment related expenses	(1,206)	(1,033)
Return on investment portfolio	$ 6,013	$ 26,747

Note 7. 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:

	2014	2013
Land	$ 11,487	$ 11,487
Buildings and improvements	403,579	390,329
Tenant installation costs	139,991	134,327
	555,057	536,143
Less accumulated depreciation and amortization	212,616	189,472
Investment in real estate, net	$ 342,441	$ 346,671

Depreciation and amortization expense for the assets noted above amounted to $26,258 and $23,112 in 2014 and 2013, respectively.

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investment in Real Estate and Deferred Leasing Costs (Continued)

Trinity has commitments from existing tenants under noncancellable leases for future minimum rental income related to its commercial property and ground leases subsequent to December 31, 2014 as follows:

Year Ending December 31,	Amount
2015	$ 181,154
2016	179,737
2017	166,282
2018	165,046
2019	162,948
Thereafter	1,332,736
Total	$ 2,187,903

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:

	2014	2013
Deferred leasing costs	$ 64,997	$ 60,781
Less accumulated amortization	23,694	20,722
Deferred leasing costs, net	$ 41,303	$ 40,059

Amortization expense for the assets noted above amounted to $5,031 and $5,613 in 2014 and 2013, respectively.

(all dollar amounts in thousands unless otherwise indicated)

Note 8. Property and Equipment

Property and equipment consist of the following:

	2014	2013
Church buildings and grounds	$ 49,681	$ 45,366
Clergy housing	12,482	12,482
Ministry and parish facilities	45,621	35,367
Furniture, fixtures and equipment	12,976	11,160
	120,760	104,375
Less accumulated depreciation and amortization	58,869	50,309
Property and equipment, net	$ 61,891	$ 54,066

Depreciation and amortization expenses for property and equipment were $4,283 and $4,062 in 2014 and 2013, respectively, and are included as ministry expenses in the consolidated statements of activities.

In 2014, the estimated useful life of 68/74 Trinity Place was shortened and certain other items of furniture, fixtures and equipment within 68/74 Trinity Place were disposed in connection with the decision to demolish and rebuild the property. The aggregate loss from the decision to demolish and rebuild 68/74 Trinity Place amounted to $12,160 and includes $8,049 related to the disposal and shortened life of 68/74 Trinity Place building, furniture, fixtures and equipment, $2,578 of estimated cost for asbestos removal and certain other costs of $1,533. This loss is reflected as loss and other costs on planned demolition of 68/74 Trinity Place on the 2014 consolidated statement of activities.

Note 9. 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 $46,474 and $44,048 at December 31, 2014 and 2013, respectively.

Note 10. 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 $482 and $526 for the years ended December 31, 2014 and 2013, respectively. Principal amounts maturing in each of the five years subsequent to December 31, 2014 and thereafter are as follows: $649 in 2015, $700 in 2016, $755 in 2017, $815 in 2018 and $879 in 2019 and $2,241 thereafter.

(all dollar amounts in thousands unless otherwise indicated)

Note 11. 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 2014 and 2013 and totaled $841 and $795, 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 $760 and $722 in 2014 and 2013, 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 $530 and $322 as of December 31, 2014 and 2013, 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.

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	
	2014	2013	2014	2013
Change in benefit obligation				
Benefit obligation, beginning of year	$ 533	$ 753	$ 7,678	$ 9,809
Service cost	-	1	113	170
Interest cost	23	28	333	307
Benefits paid	-	-	(298)	(307)
Curtailment gain	(159)	-	-	-
Actuarial (gain) loss	133	(249)	1,926	(2,301)
Benefit obligation, end of year	530	533	9,752	7,678
Change in plan assets				
Employer contributions	-	-	298	307
Benefits paid	-	-	(298)	(307)
	-	-	-	-
Funded status, end of year, and amounts recognized as liability in consolidated balance sheets	$ (530)	$ (533)	$ (9,752)	$ (7,678)

(all dollar amounts in thousands unless otherwise indicated)

Note 11. Employee Benefits and Other Postretirement Plans (Continued)

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

	Pension Benefits		Postretirement Health and Life Insurance Benefits	
	2014	2013	2014	2013
Service cost	$ -	$ 1	$ 113	$ 170
Interest cost	23	28	333	307
Curtailment gain	(159)	-	-	-
Recognized net actuarial gain	(95)	(15)	-	-
Net benefit periodic cost	$ (231)	$ 14	$ 446	$ 477

Other changes in benefit obligations recognized in changes in unrestricted net assets for the years ended December 31, 2014 and 2013 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	
	2014	2013	2014	2013
Net unrecognized gain (loss) and prior service credit (cost), beginning of year	$ 368	$ 134	$ 44	$ (2,257)
Actuarial gain (loss)	(133)	249	(1,926)	2,301
Recognized net actuarial gain	(95)	(15)	-	-
Net unrecognized gain (loss) prior service credit (cost), end of year	$ 140	$ 368	$ (1,882)	$ 44

Estimated amounts to be recognized in benefit costs in 2015 consist of the following:

	Pension Benefits	Postretirement Health and Life Insurance Benefits
Net gain (loss)	$ 5	$ (113)
Prior service cost	-	-
Service cost	-	-

(all dollar amounts in thousands unless otherwise indicated)

Note 11. Employee Benefits and Other Postretirement Plans (Continued)

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

	Pension Benefits		Postretirement Health and Life Insurance Benefits	
	2014	2013	2014	2013
Discount rate	3.75%	4.50%	3.75%	4.50%
Rate of compensation increase	3.50%	3.50%	N/A	0.00%
Expected return on plan assets	N/A	6.25%	N/A	N/A

The Medical Trend Assumption was changed effective December 31, 2014 to an initial rate of 6.5% per year grading down to 4.5% per year in 2018 and thereafter.

The healthcare cost trend rate assumption has a significant effect on the amounts reported. For the year ended December 31, 2014, 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	$ 72	$ (58)
Accumulated postretirement benefit obligation	1,638	(1,300)

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

Year Ending December 31,	Pension Benefits	Postretirement Health and Life Insurance Benefits
2015	$ 419	$ 420
2016	-	450
2017	-	466
2018	-	470
2019	-	480
Thereafter	149	2,458
Total	$ 568	$ 4,744

Trinity expects to contribute $419 to its pension plan and $420 to its postretirement health and life insurance benefit plan in 2015.

(all dollar amounts in thousands unless otherwise indicated)

Note 11. Employee Benefits and Other Postretirement Plans (Continued)

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 $356 and $375 in 2014 and 2013, respectively.

Note 12. 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, 2014.

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.

The REIT has a total of $57 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, 2014, the scheduled principal payments on the private placement notes payable are as follows:

Year Ending December 31,		Amount
2015	$	2,500
2016		3,000
2017		4,000
2018		5,000
2019		6,000
Thereafter		36,500
Total	$	57,000

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, 2014 and 2013.

Note 13. Commitments and Contingencies

Trinity, THH, 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.

(all dollar amounts in thousands unless otherwise indicated)

Note 13. Commitments and Contingencies (Continued)

Trinity, THH, 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 “ministry 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 ministry 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 formerly housed Trinity’s congregational space, ministry offices, preschool and commercial tenants. As of the audit report date, the design of the building is still under consideration and the obligations under the contracts signed are funded through normal operating cash flow.

Trinity executed noncancellable leases for the preschool and temporary space for congregational gatherings and ministry offices and accounts for these leases as operating leases. The lease for the temporary space for the ministry offices provides for reimbursement of certain costs in connection with the build-out of the unit. Future minimum rental payments due under the leases are as follows:

Year Ending December 31,		Amount
2015	$	3,474
2016		3,693
2017		3,720
2018		3,748
2019		3,019
Thereafter		6,530
Total	$	24,184

The total rent expense included as ministry expenses in the consolidated statement of activities for the years ended December 31, 2014 and 2013 on a straight-line basis is $1,942 and $156, respectively.

Trinity, as an owner of real estate, is subject to various environmental laws of the federal and local governments. In 2014, Trinity vacated one of its properties and intends to demolish the building commencing in 2015. Prior to commencing demolition activities, Trinity will perform asbestos abatement processes at an estimated cost of $2,578. This cost has been accrued as loss and other costs on planned demolition of 68/74 Trinity Place in the 2014 consolidated statement of activities. Other than mentioned above, 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 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 14. 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 years ended December 31, 2014 and 2013, no tenants accounted for more than 10% of leasing related revenue.

Note 15. Income Taxes

Trinity had taken no uncertain tax positions that would require adjustments or disclosure 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 2011.