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

Consolidated Financial Report
December 31, 2015 and 2014

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

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, 2015 and 2014, 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, 2015 and 2014, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

New York, New York
April 29, 2016

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

Consolidated Balance Sheets
December 31, 2015 and 2014
(all dollar amounts in thousands)

	2015	2014
Assets		
Cash and cash equivalents	$ 110,629	$ 57,232
Accounts, rent agreements and notes receivable, net	8,583	8,377
Deferred rent, net	143,447	138,816
Tenant security deposits	11,620	12,503
Property and equipment, net	56,821	61,891
Deferred leasing costs, net and other assets	49,937	46,728
Investments, at fair value	1,689,555	210,246
Investment in real estate, net at cost	340,767	342,441
Total assets	$ 2,411,359	$ 878,234
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 39,314	$ 43,249
Grants payable	3,556	2,317
Tenant security deposits	11,620	12,503
Mortgage payable - St. Margaret's House	5,390	6,039
Pension and other postretirement benefits payable	10,205	10,282
Private placement notes payable	-	57,000
Other liabilities	10,450	7,876
Total liabilities	80,535	139,266
Net assets:		
Unrestricted:		
Ministry	38,592	39,887
Endowment:		
Real Estate	378,559	489,294
Investments	1,679,665	199,871
Trinity unrestricted net assets	2,096,816	729,052
Noncontrolling interest in real estate joint venture	223,614	-
Total unrestricted net assets	2,320,430	729,052
Temporarily restricted - Ministry	8,304	7,806
Permanently restricted - Ministry	2,090	2,110
Total net assets	2,330,824	738,968
Total liabilities and net assets	$ 2,411,359	$ 878,234

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, 2015 and 2014
(all dollar amounts in thousands)

	2015	2014
Change in unrestricted net assets		
Ministry		
Ministry revenue:		
Fees and preschool tuition	$ 3,463	$ 3,128
St. Margaret's House	5,134	5,001
Contributions and donations	1,428	1,755
All other revenue	7,135	1,051
Release from restrictions and reclassifications	458	945
Total ministry revenue	17,618	11,880
Ministry expenses:		
Parish programs and outreach ministries	23,337	17,261
Grants, other gifts and diocesan assessment	9,121	6,364
St. Margaret's House	4,595	4,436
Church properties and program facilities support	7,756	11,946
Digital outreach and ministry communications	6,499	5,613
Institutional and programmatic support	4,737	4,055
Costs of redevelopment of 68/74 Trinity Place Parish Center	10,745	12,160
Total ministry expenses	66,790	61,835
Net ministry expenditures	(49,172)	(49,955)
Return from endowment		
Commercial real estate:		
Leasing-related revenue	219,265	206,153
Leasing-related expenses	(135,282)	(123,621)
Net return from commercial real estate	83,983	82,532
Net return on investment portfolio	(1,697)	5,563
Total return from endowment, including amounts attributable to noncontrolling interest in real estate joint venture	82,286	88,095
Postretirement related charges other than net periodic costs	(96)	(2,060)
Issuance of preferred units in subsidiary	104	-
Received from noncontrolling interest in real estate joint venture	1,558,256	-
Change in unrestricted net assets	1,591,378	36,080
Change in temporarily restricted net assets:		
Return on investment portfolio	(73)	450
Contributions	1,029	45
Release from restrictions and reclassifications	(458)	(819)
Change in temporarily restricted net assets	498	(324)
Change in permanently restricted net assets:		
Contributions and change in value of interest in perpetual trust	(20)	(5)
Reclassifications	-	(126)
Change in permanently restricted net assets	(20)	(131)
Change in net assets	1,591,856	35,625
Net assets:		
Beginning	738,968	703,343
Ending	$ 2,330,824	$ 738,968

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, 2015 and 2014
(all dollar amounts in thousands)

	2015	2014
Cash flows from operating activities:		
Change in net assets	**$ 1,591,856**	$ 35,625
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**37,942**	35,572
Proceeds from noncontrolling interest in real estate joint venture	**(1,558,256)**	-
Issuance of preferred units in subsidiary	**(104)**	-
Loss on redevelopment of 68/74 Trinity Place Parish Center	**3,779**	8,049
Bad debts (recovery) expense	**(55)**	441
Postretirement related charges other than net periodic costs	**96**	2,060
Straight-lining of rent, net	**(4,631)**	(3,864)
Dividend distributions	**30**	15
Net loss (gain) on investments	**7,778**	(4,468)
Change in value of interest in perpetual trust	**20**	5
Changes in assets and liabilities:		
Accounts, rent agreements and notes receivable, net	**(150)**	1,168
Accounts payable and accrued liabilities	**(1,054)**	6,532
Other changes, net	**6,503**	1,142
Net cash provided by operating activities	**83,754**	82,277
Cash flows from investing activities:		
Improvements to real estate	**(25,994)**	(21,759)
Additions to deferred leasing costs	**(9,034)**	(6,289)
Purchases of investments	**(1,598,522)**	(141,414)
Sales of investments	**111,434**	138,894
Additions to property and equipment	**(8,922)**	(19,448)
Net cash used in investing activities	**(1,531,038)**	(50,016)
Cash flows from financing activities:		
Proceeds from noncontrolling interest in real estate joint venture	**1,558,256**	-
Payments on private placement notes	**(57,000)**	(2,000)
Principal payments on mortgage - St. Margaret's House	**(649)**	(601)
Dividend distributions	**(30)**	(15)
Issuance of preferred units in subsidiary	**104**	-
Net cash provided by (used in) financing activities	**1,500,681**	(2,616)
Net increase in cash and cash equivalents	**53,397**	29,645
Cash and cash equivalents:		
Beginning	**57,232**	27,587
Ending	**$ 110,629**	$ 57,232
Supplemental disclosure of cash flow information:		
Interest and make whole amount paid	**$ 10,152**	$ 3,168
Supplemental disclosures of noncash investing activities:		
Construction costs included in accounts payable and accrued liabilities	**$ 2,006**	$ 3,702
Leasing commissions included in accounts payable and accrued liabilities	**$ 653**	$ 2,114
Tenant improvements included in accounts payable and accrued liabilities	**$ 19,717**	$ 19,441

See notes to consolidated financial statements.

Note 1. Organization

The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York (Trinity Church), 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 Church is an inclusive Episcopal community focused on service to others. Its ministries include social justice and reconciliation, education, music, strengthening neighborhoods, and feeding the hungry in New York City. Trinity Church 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 Church owns, or is the sole member of, or owns a controlling interest in, and operates the following entities which support the ministries of the Church:

- 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 Retreat Center): Trinity Retreat 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 Retreat Center ceased operations for external parties effective in November 2012. Trinity Church expects to reopen its Retreat Center in late 2016. On March 27, 2014, Trinity Church entered into a contract to sell 317 acres of land to the Cornwall Conservation Trust, Inc. and expects to close the sale in the second quarter of 2016.

- 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.

- Hudson Square Properties, LLC (Hudson Square Properties): Hudson Square Properties is a Delaware limited liability company formed on November 30, 2015. Hudson Square Properties owns 100% of the voting common stock of Trinity REIT, Inc. and 100% of the voting common units of Trinity Hudson Holdings, LLC. Hudson Square Properties is a real estate joint venture with 56% of the common units owned by Trinity Church and 44% owned by NBIM Franklin Hudson Square, LLC (Norges), a single member LLC of Norges Bank Investment Management. Trinity Church's investment in Hudson Square Properties is accounted for in accordance with Accounting Standard Codification (ASC) 810, Consolidation.

- Trinity REIT, Inc. (TREIT): TREIT is a Delaware corporation that qualifies as a real estate investment trust that owns and operates one building within Trinity Church's real estate portfolio. Trinity Church owned 100% of the voting common stock through December 14, 2015. TREIT was contributed to Hudson Square Properties on December 14, 2015.

- Trinity Hudson Holdings, LLC (THH): THH is a Delaware limited liability company established in April 2014 to own and operate certain buildings within Trinity Church's real estate portfolio. Trinity Church owned 100% of the voting common units through December 14, 2015. THH was contributed to Hudson Square Properties on December 14, 2015.

Note 1. Organization (Continued)

- 375 Hudson, LLC (375 Hudson): 375 Hudson is a Delaware limited liability company formed as a single member LLC with THH as the sole owner on November 30, 2015. 375 Hudson holds the real and personal property as well as its interest in the ground lease at 375 Hudson Street in New York City formerly owned by THH. THH distributed 375 Hudson to Trinity Church on December 14, 2015.

- Remainderman LLCs for 11 Operating Properties (Remainderman LLCs): These are Delaware limited liability companies formed as single member LLCs owned by TREIT and THH on November 30, 2015. Each of the Remainderman LLCs holds a remainder interest in one of the 11 properties owned by TREIT and THH. TREIT distributed its one Remainderman LLC and THH distributed its ten Remainderman LLCs to Trinity Church on December 14, 2015.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Trinity Church, St. Margaret's House, Trinity Retreat Center, Trinity Concerts, Hudson Square Properties, TREIT, THH, 375 Hudson, and the Remainderman LLCs, (collectively, Trinity). All significant intercompany accounts and transactions have been eliminated in consolidation. Noncontrolling interest in the accompanying consolidated balance sheets represents Norges' 44% ownership of Hudson Square Properties.

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.

- 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2015 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: Additions in excess of $10 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. As a result of the prepayment of the private placement notes in December 2015, approximately $226 of deferred financing costs was written off.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 or expense to Trinity, it is recognized upon execution of the termination or surrender agreement. These amounts are included within leasing-related revenues and operating expenses on the consolidated statements 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 are 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 revenues 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 for the years ended December 31, 2015 and 2014 of approximately \$525 and \$987, respectively, in support of ministry 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, 2015 and 2014.

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.

Recently adopted or issued accounting standards: In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are measured at net asset value (NAV) using the practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured using the NAV per share practical expedient. Although the investments are not categorized within the fair value hierarchy, a reporting entity shall provide the amount measured using the NAV per share (or its equivalent) practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the balance sheets. The amendments in this update are generally effective for fiscal periods beginning after December 15, 2016 for nonpublic entities. Although early adoption is permitted, Trinity has not applied the amendments to the current year financials, but plans to do so in future years.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for Trinity for fiscal years beginning after December 15, 2018. Trinity elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

(all dollar amounts in thousands unless otherwise indicated)

Note 2. Summary of Significant Accounting Policies (Continued)

Reclassifications: Certain amounts and accounts reported in the 2014 consolidated financial statements have been reclassified to conform to the 2015 consolidated financial statement presentation. The reclassifications had no effect on the reported total assets, liabilities and net assets as of December 31, 2014 and the changes in net assets for the year ended December 31, 2014.

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, 2016 for these consolidated financial statements.

Note 3. Net Assets

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

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor and other restricted funds for Trinity's ministry				
Music programming	$ -	$ 3,520	$ -	$ 3,520
Training and education of candidates for priesthood in the Episcopal Church	-	1,138	1,184	2,322
Other restricted funds	-	3,646	906	4,552
	-	8,304	2,090	10,394
Others				
Ministry	38,592	-	-	38,592
Endowment:				
Real estate[(a)]	602,173	-	-	602,173
Investments	1,679,665	-	-	1,679,665
	2,320,430	-	-	2,320,430
Total net assets	$ 2,320,430	$ 8,304	$ 2,090	$ 2,330,824

[(a)] Includes preferred stock in TREIT of $120 and preferred units in THH of $104.

	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

[(a)] Includes preferred stock in TREIT of $120.

Note 3. Net Assets (Continued)

The endowment, which includes both donor-restricted and unrestricted funds, supports Trinity's legacy and mission in the world. Endowment assets are invested directly and indirectly 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 to support and sustain the church's ministries. 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). As part of its endowment asset diversification efforts, Trinity Church sold a 44% interest in 11 of its commercial real estate buildings. This real estate joint venture results in the diversification of Trinity Church's total assets, critical to sustaining the church's mission that encompasses programs, services, and ministries reaching millions of people in New York City and around the world. 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 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.

(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:

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ 7,806	$ 2,110	$ 9,916
Contributions and other additions (deductions)	1,029	(20)	1,009
Net investment return	(73)	-	(73)
Appropriations of endowment assets for expenditures for specific ministry programs	(458)	-	(458)
Balance, end of year	$ 8,304	$ 2,090	$ 10,394

	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

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

	2015				
		Endowment			
	Ministry	Real Estate	Investments	Attributable to Noncontrolling Interest	Total
Balance, beginning of year	$ 39,887	$ 489,294	$ 199,871	$ -	$ 729,052
Change in net assets:					
Received from noncontrolling interest	-	(143,533)	1,479,642	222,147	1,558,256
Issuance of preferred units	-	104	-	-	104
Other	(49,268) [(a)]	82,516	(1,697)	1,467	33,018
Appropriated to Ministry from endowment and other transfers	47,973	(49,822)	1,849	-	-
Balance, end of year	$ 38,592	$ 378,559	$ 1,679,665	$ 223,614	$ 2,320,430

[(a)] Change in net assets for Ministry includes $(10,745) of costs of redevelopment of 68/74 Trinity Place Parish Center and postretirement charges other than net periodic costs of $(96).

(all dollar amounts in thousands unless otherwise indicated)

Note 3. Net Assets (Continued)

	2014			
		Endowment		
	Ministry	Real Estate	Investments	Total
Balance, beginning of year	$ 41,040	$ 459,222	$ 192,710	$ 692,972
Change in net assets	(52,015) [a]	82,532	5,563	36,080
Appropriated to Ministry from endowment and other transfers	50,862	(52,460)	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 costs of redevelopment of 68/74 Trinity Place Parish Center, postretirement charges other than net periodic costs of $(2,060) and net reclassifications from temporarily restricted and permanently restricted net assets.

Note 4. Investment in Real Estate Subsidiaries

As part of its ongoing stewardship and prudent management of its endowment assets, Trinity Church entered into a Joint Venture Agreement ("JV Agreement") for the ownership of 11 commercial buildings through an estate for seventy-five years with Norges on December 15, 2015. Prior to this transaction, Trinity Church held the majority of its commercial real estate assets, 11 operating buildings, in two wholly owned legal entities, TREIT and THH.

TREIT and THH distributed to Trinity Church the remainder interest after seventy-five years in each of the 11 operating buildings. In addition, THH contributed real and personal property as well as its interest in a ground lease at 375 Hudson to a Delaware limited liability company that was distributed to Trinity Church. TREIT and THH, which retained ownership of an estate for seventy-five years in each of the 11 commercial buildings, were contributed to Hudson Square Properties, a newly created entity.

On December 15, 2015, Trinity Church sold a 44% interest in Hudson Square Properties to Norges, Trinity Church's noncontrolling partner in the real estate joint venture. The purchase price was $1,562,000, subject to apportionment. The net proceeds from the sale amounted to $1,558,256 and are reflected as an increase in unrestricted net assets.

TREIT has outstanding 120 shares of 1 cent par value, cumulative, nonvoting preferred stock that is callable at the discretion of TREIT. 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. TREIT issued dividend distributions of $15 for preferred stock in 2015 and 2014 and $18,500 for common stock in 2015 and $16,000 in 2014. As of December 31, 2015 and 2014, there were no dividends in arrears on the preferred stock.

TREIT 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. TREIT fully distributes all of the real estate investment trust taxable income to its shareholders.

(all dollar amounts in thousands unless otherwise indicated)

Note 4. Investment in Real Estate Subsidiaries (Continued)

On May 1, 2014, Trinity Church contributed to THH 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 distributions of $77,000 for common units in 2015 and $22,500 in 2014.

Additionally, in January 2015, THH issued 125 shares of 1 cent par value, cumulative, nonvoting preferred units that is callable at the discretion of THH. Holders of the preferred units are entitled to receive distributions 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. THH issued distributions of $15 for preferred units in 2015.

Note 5. Accounts, Rent Agreements and Notes Receivable

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

	2015	2014
Accounts receivable - Tenants	$ 5,825	$ 6,130
Rent agreements receivable	1,194	1,110
Notes receivable	61	160
Other receivables	1,787	1,988
	8,867	9,388
Less allowance for doubtful accounts	(284)	(1,011)
Accounts, rent agreements and notes receivable, net	$ 8,583	$ 8,377

(all dollar amounts in thousands unless otherwise indicated)

Note 6. Investments and Fair Value Measurements

Investments, at fair value, are as follows:

	2015		
	Domestic	Global	Total
Cash and cash equivalents	$ 542,742	$ -	$ 542,742
Fixed income	137	176,347	176,484
Equities and equity mutual funds	566,599	307,906	874,505
Private equity funds:			
Oil and gas	7,867	-	7,867
Distressed	3,996	1,307	5,303
Venture capital	10,111	-	10,111
Commodities	-	700	700
Hedge funds:			
Multi-strategy	139	67,668	67,807
Distressed	-	4,036	4,036
Total investments	$ 1,131,591	$ 557,964	$ 1,689,555

	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

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 fixed income. 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 2015, Trinity repositioned its endowment and the portfolio received an inflow of $1,479,642 in December 2015 as part of the real estate joint venture transaction described in Note 4.

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, 2015, Trinity's outstanding commitments to these limited partnerships are $5,036.

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 was one transfer in 2015 from Level 3 to Level 2 and there were two transfers in 2014 from Level 2 to Level 3 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 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.

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, 2015 and 2014 are classified in the following tables in one of the three levels described earlier.

	2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 542,742	$ -	$ -	$ 542,742
Fixed income	176,484	-	-	176,484
Equities and equity mutual funds	671,805	202,700	-	874,505
Private equity funds:				
Oil and gas	-	-	7,867	7,867
Distressed	-	-	5,303	5,303
Venture capital	-	-	10,111	10,111
Commodities	-	-	700	700
Hedge funds:				
Multi-strategy	-	43,807	24,000	67,807
Distressed	-	-	4,036	4,036
Total investments	$ 1,391,031	$ 246,507	$ 52,017	$ 1,689,555

(all dollar amounts in thousands unless otherwise indicated)

Note 6. Investments and Fair Value Measurements (Continued)

	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 investments	$ 97,214	$ 45,226	$ 67,806	$ 210,246

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, 2015 and 2014.

Notes to Consolidated Financial Statements (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, 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities and equity mutual funds	$ 202,700	$ -	Varies [(a)]	3 days to 30 days [(a)]
Private equity funds:				
Oil and gas	7,867	855	Illiquid	N/A
Distressed	5,303	1,957	Illiquid	N/A
Venture capital	10,111	1,313	Illiquid	N/A
Commodities	700	911	Illiquid	N/A
Hedge funds:				
Multi-strategy	67,807	-	Varies [(b)]	45 to 65 days
Distressed	4,036	-	Quarterly [(c)]	90 days
Total	$ 298,524	$ 5,036 [(d)]		

(a) Redemption frequency is permitted as follows: $168.8 million daily, $15.7 million biweekly and $18.3 million monthly. Redemption notice periods are as follows: $71.9 million, 3 days notice; $15.7 million, 8 days notice; $96.9 million, 10 days notice; $18.3 million, 30 days notice. Investments totaling $16.7 million have been fully redeemed and will be received the first month of 2016.

(b) Redemption frequency is permitted as follows: $16.5 million daily; $12.9 million monthly; $14.4 million quarterly; $3.5 million semiannually; $20.1 million annually; $0.4 million illiquid.

(c) Investments totaling $4.0 million have been fully redeemed and partial proceeds will be received the first quarter of 2016, and the remaining proceeds in 2017.

(d) The portfolio committed to additional equity and hedge fund investments of $537 million in the first month of 2016. The source to fund the additional commitments is cash and cash equivalents held as of year-end 2015.

As of December 31, 2015, 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	$ 5,456	$ 2,411	$ 7,867
Distressed	5,303	-	5,303
Venture capital	6,424	3,687	10,111
Commodities	-	700	700
Total	$ 17,183	$ 6,798	$ 23,981

(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, 2015 and 2014 are as follows:

2015	Balance January 1, 2015	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, 2015
Private equity funds:						
Oil and gas	$ 9,328	$ (1,489)	$ 639	$ (611)	$ -	$ 7,867
Distressed	6,612	16	120	(1,445)	-	5,303
Venture capital	8,583	1,993	175	(640)	-	10,111
Commodities	846	(5)	265	(406)	-	700
Hedge funds:						
Multi-strategy	36,421	(110)	4,616	(2,554)	(14,373)	24,000
Distressed	6,017	(491)	1	(1,491)	-	4,036
Total	$ 67,807	$ (86)	$ 5,816	$ (7,147)	$ (14,373)	$ 52,017

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 [(b)]	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

(a) Transfer from Level 3 to Level 2 due to annual hard lock-up period being expired.

(b) 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, 2015 and 2014 was $(3,648) and $1,660, 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:

	2015	2014
Net realized/unrealized (losses) gains	$ (7,778)	$ 4,468
Interest and dividends	8,020	3,322
Investment management fees	(546)	(571)
Investment related expenses	(1,466)	(1,206)
Net return on investment portfolio	$ (1,770)	$ 6,013

Note 7. Investment in Real Estate and Deferred Leasing Costs and Other Assets

Trinity owns and manages approximately 5.6 million rentable square feet of commercial properties, primarily office facilities, in which 5.0 million rentable square feet is included in Hudson Square Properties. 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:

	2015	2014
Land	$ 11,487	$ 11,487
Buildings and improvements	416,550	403,579
Tenant installation costs	149,709	139,991
	577,746	555,057
Less accumulated depreciation and amortization	236,979	212,616
Investment in real estate, net at cost	$ 340,767	$ 342,441

Depreciation and amortization expense for the assets noted above amounted to $27,410 and $26,258 in 2015 and 2014, respectively, and are included as operating expenses in the consolidated statements of activities.

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investment in Real Estate and Deferred Leasing Costs and Other Assets (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, 2015 as follows:

Years ending December 31:		
2016	$	186,063
2017		188,818
2018		190,275
2019		187,439
2020		180,627
Thereafter		1,251,640
	$	2,184,862

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 included in deferred leasing costs and other assets in the accompanying consolidated balance sheet consist of the following:

		2015		2014
Deferred leasing costs	$	70,044	$	64,997
Less accumulated amortization		26,937		23,694
Deferred leasing costs, net	$	43,107	$	41,303

Amortization expense for the assets noted above amounted to $5,768 and $5,031 in 2015 and 2014, respectively, and are included as operating expenses in the consolidated statements of activities.

Note 8. Property and Equipment

Property and equipment consist of the following:

		2015		2014
Church buildings and grounds	$	53,507	$	49,681
Clergy housing		6,903		12,482
Ministry and parish facilities		31,874		45,621
Furniture, fixtures and equipment		12,440		12,976
		104,724		120,760
Less accumulated depreciation and amortization		47,903		58,869
Property and equipment, net	$	56,821	$	61,891

Depreciation and amortization expenses for property and equipment were $4,763 and $4,283 in 2015 and 2014, respectively, and are included as ministry expenses in the consolidated statements of activities.

Note 8. Property and Equipment (Continued)

Certain costs pertaining to the decision to demolish and rebuild 68/74 Trinity Place Parish Center are reflected as costs of redevelopment of 68/74 Trinity Place Parish Center in the consolidated statements of activities. The 2015 costs of $10,745 are the demolition costs incurred excluding asbestos abatement, and write-off of certain pre-development costs related to the design of 68/74 Trinity Place Parish Center. The 2014 costs of $12,160 include the acceleration of depreciation for the 68/74 Trinity Place Parish Center building, furniture, fixtures and equipment due to the shortened useful life, as well as the total estimated cost for asbestos removal and other 2014 demolition costs. Demolition of 68/74 Trinity Place Parish Center is estimated to be completed in the second quarter of 2016.

In 2015, the Rectory at 37 Charlton was sold and Trinity recognized a gain of $6,034, which is included in all other revenue as part of ministry revenue in the consolidated statements of activities. In March 2016, the Vicarage at 200 Rector was sold and Trinity will recognize a gain of approximately $2,400 in 2016.

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 $53,776 and $46,474 at December 31, 2015 and 2014, 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 $434 and $482 for the years ended December 31, 2015 and 2014, respectively. Principal amounts maturing in each of the five years subsequent to December 31, 2015 and thereafter are as follows: $700 in 2016, $755 in 2017, $815 in 2018, $879 in 2019, $949 in 2020, and $1,292 thereafter.

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 2015 and 2014 and totaled $819 and $841, 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 $683 and $760 in 2015 and 2014, 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 $355 and $530 as of December 31, 2015 and 2014, respectively.

(all dollar amounts in thousands unless otherwise indicated)

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

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	
	2015	2014	2015	2014
Change in benefit obligation				
Benefit obligation, beginning of year	$ 530	$ 533	$ 9,752	$ 7,678
Service cost	-	-	115	113
Interest cost	12	23	344	333
Benefits paid	-	-	(295)	(298)
Plan settlement	(365)	-	-	-
Curtailment gain	-	(159)	-	-
Actuarial loss (gain)	178	133	(66)	1,926
Benefit obligation, end of year	355	530	9,850	9,752
Change in plan assets:				
Employer contributions	365	-	295	298
Benefits paid	(365)	-	(295)	(298)
	-	-	-	-
Funded status, end of year, and amounts recognized as liability in consolidated balance sheets	$ (355)	$ (530)	$ (9,850)	$ (9,752)

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

	Pension Benefits		Postretirement Health and Life Insurance Benefits	
	2015	2014	2015	2014
Service cost	$ -	$ -	$ 115	$ 113
Interest cost	12	23	344	333
Curtailment gain	-	(159)	-	-
Plan settlement	21	-	-	-
Recognized net actuarial gain	(4)	(95)	68	-
Net benefit periodic cost	$ 29	$ (231)	$ 527	$ 446

(all dollar amounts in thousands unless otherwise indicated)

Note 11. 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, 2015 and 2014 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	
	2015	2014	2015	2014
Net unrecognized gain (loss) and prior service credit (cost), beginning of year	$ 140	$ 368	$ (1,882)	$ 44
Actuarial gain (loss)	(178)	(133)	66	(1,926)
Recognized net actuarial gain	-	(95)	67	-
Plan settlement gain (loss)	17	-	-	-
Net unrecognized gain (loss) prior service credit (cost), end of year	$ (21)	$ 140	$ (1,749)	$ (1,882)

Estimated amounts to be recognized in benefit costs in 2016 consist of the following:

	Pension Benefits	Postretirement Health and Life Insurance Benefits
Net gain	$ -	$ 100
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	
	2015	2014	2015	2014
Discount rate	4.25%	3.75%	4.25%	3.75%
Rate of compensation increase	N/A	N/A	N/A	N/A
Expected return on plan assets	N/A	N/A	N/A	N/A

The Medical Trend Assumption was changed effective December 31, 2015 to an initial rate of 7.0% per year grading down to 4.75% per year in 2025 and thereafter.

(all dollar amounts in thousands unless otherwise indicated)

Note 11. 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, 2015, 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	$ 91	$ (70)
Accumulated postretirement benefit obligation	1,607	(1,284)

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

	Pension Benefits	Postretirement Health and Life Insurance Benefits
Years ending December 31:		
2016	$ 355	$ 437
2017	-	456
2018	-	466
2019	-	489
2020	-	516
Thereafter	-	2,632
	$ 355	$ 4,996

Trinity expects to contribute $355 to its pension plan and $437 to its postretirement health and life insurance benefit plan in 2016.

The clergy employees of Trinity are participants in a defined benefit pension plan sponsored by the National Episcopal Church. Contributions are based upon a percentage of salaries and housing allowances and totaled $401 and $356 in 2015 and 2014, respectively.

Note 12. Notes and Loans

Revolving credit facilities: TREIT had two $25,000 unsecured committed revolving credit facilities in place until December 23, 2015, when those credit facilities were terminated by TREIT following the closing of the JV Agreement on December 15, 2015. The credit facilities were not utilized in 2015.

Private placement notes: TREIT has two $100,000 uncommitted private placement shelf facilities in place which will expire on January 28, 2017. TREIT prepaid all $54,500 of outstanding private placement notes on December 15, 2015 in conjunction with the closing on the JV Agreement. No additional drawings were made on these facilities through December 31, 2015.

(all dollar amounts in thousands unless otherwise indicated)

Note 12. Notes and Loans (Continued)

The private placement note repayment amount was $61,628, which was comprised of $54,500 note principal, $908 accrued interest and $6,220 make-whole amount, which is included as operating expenses in the consolidated statements of activities.

Note 13. Commitments and Contingencies

Trinity Church, THH, and TREIT 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 Church, THH, and TREIT 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) which are cancellable upon 30 days notice. Trinity Church has a commitment to procure gas services through 2021 for three of its real estate buildings. Consistent with many tenant leases, there are commitments for lease and tenant-related work outstanding at any point in time. Additionally, Trinity Church 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 Church has entered into and is negotiating multi-year contracts with architects and contractors related to its plan to redevelop 68/74 Trinity Place Parish Center, 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. As of December 31, 2015, Trinity Church has approximately $4,770 in outstanding commitments related to the redevelopment of 68/74 Trinity Place Parish Center.

Trinity Church 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:

Years ending December 31:		
2016	$	3,693
2017		3,720
2018		3,748
2019		3,246
2020		619
Thereafter		5,911
	$	20,937

The total rent expense included as ministry expenses in the consolidated statements of activities for the years ended December 31, 2015 and 2014 on a straight-line basis is $3,406 and $1,942, respectively.

Trinity Church has guaranteed payments required related to a loan made by a bank to the Rector in connection with the purchase of his home. The guarantee is limited to the principal amount of $940 and accrued interest, until the final payment is due in August 2020.

Note 13. Commitments and Contingencies (Continued)

Trinity Church, 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 commenced demolition in 2015 which will be completed in 2016. Prior to commencing demolition activities, Trinity Church performed asbestos abatement processes at an estimated cost of $2,578. This cost was accrued as costs of redevelopment of 68/74 Trinity Place Parish Center in the 2014 consolidated statements of activities. Other than the asbestos abatement, 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.

Investment portfolio-related concentration: As of December 31, 2015 Trinity owned $406,599 in the Vanguard S&P500 exchange traded fund, a passive investment vehicle utilized to obtain US Equity exposure in-line with the portfolio’s target allocation. A majority of the exchange-traded fund was sold during the first half of 2016 in order to diversify the portfolio into a variety of new, actively managed US Equity investment strategies.

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, 2015 and 2014, no tenants accounted for more than 10% of leasing related revenue.

In December 2015, Trinity Church entered into a seventy-five year JV Agreement with Norges. The joint venture holds 11 of Trinity’s commercial real estate operating properties. Norges purchased from Trinity Church, for cash, a 44% ownership interest in the joint venture. Trinity Church invested the proceeds from the joint venture interest sale in a range of financial instruments resulting in a decrease in real estate related concentration and an increase in the overall endowment diversification.

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 2012.

Note 16. Subsequent Event

On April 28, 2016, Trinity entered into an agreement with Hines Interests Limited Partnership ("Hines") for the management of Hudson Square Properties, with an initial term of ten years. Trinity also sold an additional 4% of Hudson Square Properties to Norges and 1% of Hudson Square Properties to Hines for an aggregate purchase price of $179,425. Following these transactions Trinity Church retains 51% of Hudson Square Properties.