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

Consolidated Financial Report
December 31, 2017 and 2016
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Independent Auditor’s Report

To The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of 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, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2017 and 2016, 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.

PwC US LLP
New York, New York
May 1, 2018
The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

Consolidated Balance Sheets
December 31, 2017 and 2016
(all dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$130,344</td>
<td>$92,337</td>
</tr>
<tr>
<td>Accounts, rent agreements and notes receivable, net</td>
<td>6,070</td>
<td>8,070</td>
</tr>
<tr>
<td>Tenant security deposits</td>
<td>11,056</td>
<td>11,037</td>
</tr>
<tr>
<td>Ministry property and equipment, net</td>
<td>123,579</td>
<td>66,004</td>
</tr>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>5,973,000</td>
<td>5,207,500</td>
</tr>
<tr>
<td>Financial</td>
<td>2,255,653</td>
<td>1,976,484</td>
</tr>
<tr>
<td>Prepayments and other assets</td>
<td>35,641</td>
<td>25,191</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$8,535,343</td>
<td>$7,386,623</td>
</tr>
</tbody>
</table>

|                                | 2017       | 2016       |
| **Liabilities and Net Assets** |            |            |
| Liabilities:                   |            |            |
| Accounts payable and accrued liabilities | $74,901   | $51,482    |
| Grants payable                 | 6,727      | 4,222      |
| Tenant security deposits       | 11,056     | 11,037     |
| Pension and other postretirement benefits payable | 8,875     | 9,827      |
| Other liabilities              | 13,693     | 9,275      |
| Notes and loans, net           | 414,386    | 4,690      |
| **Total liabilities**          | 529,638    | 90,533     |

| Net assets:                    |            |            |
| Unrestricted:                  |            |            |
| Ministry                       | 82,987     | 48,150     |
| Endowment:                     |            |            |
| Real Estate Investments        | 3,526,142  | 3,423,750  |
| Financial Investments          | 2,241,876  | 1,964,269  |
| **Trinity unrestricted net assets** | 5,851,005 | 5,386,169  |
| Joint Venture Partners' interests in real estate investments | 2,143,397  | 1,849,409  |
| **Total unrestricted net assets** | 7,994,402 | 7,285,578  |

| Temporarily restricted - Ministry | 9,224 | 8,423 |
| Permanently restricted - Ministry | 2,079 | 2,089 |
| **Total net assets**             | 8,005,705 | 7,296,090 |

| **Total liabilities and net assets** | $8,535,343 | $7,386,623 |

See notes to consolidated financial statements.
The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

Consolidated Statement of Activities
Years Ended December 31, 2017 and 2016
(all dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unrestricted net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preschool tuition and other program revenue</td>
<td>$4,214</td>
<td>$4,105</td>
</tr>
<tr>
<td>Low income housing</td>
<td>6,545</td>
<td>5,170</td>
</tr>
<tr>
<td>Contributions and donations</td>
<td>969</td>
<td>887</td>
</tr>
<tr>
<td>All other revenue</td>
<td>7,843</td>
<td>3,835</td>
</tr>
<tr>
<td>Release from restrictions and reclassifications</td>
<td>841</td>
<td>501</td>
</tr>
<tr>
<td><strong>Total ministry revenue</strong></td>
<td><strong>20,412</strong></td>
<td><strong>14,498</strong></td>
</tr>
<tr>
<td>Ministry expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parish programs and outreach ministries</td>
<td>29,521</td>
<td>27,269</td>
</tr>
<tr>
<td>Grants, other gifts and diocesan assessment</td>
<td>14,622</td>
<td>9,326</td>
</tr>
<tr>
<td>Low income housing</td>
<td>4,653</td>
<td>3,887</td>
</tr>
<tr>
<td>Church properties and program facilities support</td>
<td>9,474</td>
<td>9,992</td>
</tr>
<tr>
<td>Digital outreach and ministry communications</td>
<td>5,820</td>
<td>5,857</td>
</tr>
<tr>
<td>Parish building development</td>
<td>1,121</td>
<td>6,509</td>
</tr>
<tr>
<td>Institutional and programmatic support</td>
<td>11,013</td>
<td>6,288</td>
</tr>
<tr>
<td>Fund development</td>
<td>369</td>
<td>439</td>
</tr>
<tr>
<td><strong>Total ministry expenses</strong></td>
<td><strong>76,593</strong></td>
<td><strong>69,567</strong></td>
</tr>
<tr>
<td><strong>Net ministry expenditures</strong></td>
<td><strong>(56,181)</strong></td>
<td><strong>(55,069)</strong></td>
</tr>
<tr>
<td>Net return from investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributable to Trinity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate investments</td>
<td>168,434</td>
<td>247,556</td>
</tr>
<tr>
<td>Financial investments</td>
<td>300,732</td>
<td>101,638</td>
</tr>
<tr>
<td><strong>Total attributable to Trinity</strong></td>
<td><strong>469,166</strong></td>
<td><strong>349,194</strong></td>
</tr>
<tr>
<td>Attributable to Joint Venture Partners' interests in real estate investments</td>
<td>76,414</td>
<td>114,603</td>
</tr>
<tr>
<td><strong>Total net return from investments</strong></td>
<td><strong>545,580</strong></td>
<td><strong>463,797</strong></td>
</tr>
<tr>
<td>Postretirement related charges other than net periodic costs</td>
<td>1,136</td>
<td>614</td>
</tr>
<tr>
<td>Received from Joint Venture Partners in real estate investments</td>
<td>236,459</td>
<td>174,717</td>
</tr>
<tr>
<td>Distributions to Joint Venture Partners in real estate investments</td>
<td>(18,170)</td>
<td>(21,085)</td>
</tr>
<tr>
<td><strong>Change in unrestricted net assets</strong></td>
<td><strong>708,824</strong></td>
<td><strong>562,974</strong></td>
</tr>
<tr>
<td>Change in restricted net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on financial investments</td>
<td>1,592</td>
<td>546</td>
</tr>
<tr>
<td>Contributions and change in value of interest in perpetual trust</td>
<td>40</td>
<td>73</td>
</tr>
<tr>
<td>Release from restrictions and reclassifications</td>
<td>(841)</td>
<td>(501)</td>
</tr>
<tr>
<td><strong>Change in restricted net assets</strong></td>
<td><strong>791</strong></td>
<td><strong>118</strong></td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td><strong>709,615</strong></td>
<td><strong>563,092</strong></td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning</td>
<td>7,296,090</td>
<td>6,732,998</td>
</tr>
<tr>
<td>Ending</td>
<td>$ 8,005,705</td>
<td>$ 7,296,090</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

Consolidated Statement of Cash Flows
Years Ended December 31, 2017 and 2016
(all dollar amounts in thousands)

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<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 709,615</td>
<td>$ 563,092</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrealized appreciation of real estate investments</td>
<td>(113,867)</td>
<td>(238,572)</td>
</tr>
<tr>
<td>Net gain on financial investments</td>
<td>(285,795)</td>
<td>(85,485)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,888</td>
<td>4,786</td>
</tr>
<tr>
<td>Received from Joint Venture Partners in real estate investments</td>
<td>(236,459)</td>
<td>(174,717)</td>
</tr>
<tr>
<td>Postretirement related charges other than net periodic costs</td>
<td>(1,136)</td>
<td>(614)</td>
</tr>
<tr>
<td>Distributions to Joint Venture Partners in real estate investments</td>
<td>18,170</td>
<td>21,085</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts, rent agreements and notes receivable, net</td>
<td>2,184</td>
<td>526</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>7,671</td>
<td>(208)</td>
</tr>
<tr>
<td>Other changes, net</td>
<td>(8,226)</td>
<td>(18,185)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>98,045</strong></td>
<td><strong>71,708</strong></td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases and improvements of real estate investments</td>
<td>(236,392)</td>
<td>(27,599)</td>
</tr>
<tr>
<td>Purchases of financial investments</td>
<td>(513,044)</td>
<td>(838,312)</td>
</tr>
<tr>
<td>Sales of financial investments</td>
<td>519,699</td>
<td>636,668</td>
</tr>
<tr>
<td>Construction, purchases and improvements to ministry property and equipment</td>
<td>(58,105)</td>
<td>(13,889)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>(287,842)</strong></td>
<td><strong>(242,932)</strong></td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received from Joint Venture Partners in real estate investments</td>
<td>236,459</td>
<td>174,717</td>
</tr>
<tr>
<td>Financing costs</td>
<td>(4,595)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from (payments on) notes and loans, net</td>
<td>14,110</td>
<td>(700)</td>
</tr>
<tr>
<td>Distributions to Joint Venture Partners in real estate investments</td>
<td>(18,170)</td>
<td>(21,085)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td><strong>227,804</strong></td>
<td><strong>152,932</strong></td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td><strong>38,007</strong></td>
<td><strong>(18,292)</strong></td>
</tr>
</tbody>
</table>

Cash and cash equivalents:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning</td>
<td>92,337</td>
<td>110,629</td>
</tr>
<tr>
<td><strong>Ending</strong></td>
<td><strong>$ 130,344</strong></td>
<td><strong>$ 92,337</strong></td>
</tr>
</tbody>
</table>

Supplemental disclosure of cash flow information:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$ 4,939</td>
<td>$ 419</td>
</tr>
</tbody>
</table>

Supplemental disclosures of noncash investing activities:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions to ministry property and equipment in accounts payable and accrued liabilities</td>
<td>$ 6,791</td>
<td>$ 1,461</td>
</tr>
<tr>
<td>Additions to real estate investments in accounts payable and accrued liabilities</td>
<td>$ 43,802</td>
<td>$ 33,290</td>
</tr>
<tr>
<td>Notes and loans, net</td>
<td>$ (400,000)</td>
<td>$ -</td>
</tr>
</tbody>
</table>

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, seeks to serve and heal the world by building neighborhoods that live Gospel truths, generations of faithful leaders and financial capacity for holy service in New York City and around the world. Our mission is grounded in our core values of faith, integrity, inclusiveness, compassion, social justice and stewardship. Our ministries include education, a daily food program, housing for the low-income elderly and handicapped, programs that confront racism and inequality and promote social justice and music and the arts.

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 reopened its Retreat Center in late 2017.

- **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 (HSP):** HSP, a Delaware limited liability company, was formed on November 30, 2015 and is organized for the object and purpose of owning Trinity REIT, Inc. (TREIT) and Trinity Hudson Holdings, LLC (THH) (together, the REIT Subsidiaries). The REIT subsidiaries are Delaware Corporations that qualify as real estate investment trusts (REIT) and are the holders of an estate for 75 years interest in the land and buildings of 11 commercial buildings located in an area known as Hudson Square in the city of New York. HSP is 51% owned by Trinity Church, 48% owned by NBIM Franklin Hudson Square, LLC (Norges HSP), an affiliate of Norges Bank Investment Management, and 1% owned by Hines Hudson Square Investor, LLC (Hines HSP).

  TREIT and THH have outstanding 120 and 125 shares, respectively, sold for $1 per share, of cumulative, nonvoting preferred stock that is callable at the discretion of the REIT subsidiaries. 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. Shareholders have no redemption rights and the preferred shares are carried at the liquidation preference. Preferred shareholders are presented as part of joint venture partners’ interests in real estate investments in the accompanying financial statements.

- **375 Hudson LLC (375 Hudson):** 375 Hudson qualifies as a REIT that, until August 17, 2017, held the real and personal property as well as its interest in the ground lease at 375 Hudson Street in Hudson Square. On August 18, 2017, Trinity Church contributed its membership interest in 375 Hudson, including the right to use the land, to 375 HH, LLC (375 HH).
The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

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

Note 1. Organization (Continued)

- 375 HSP, LLC (375 HSP): 375 HSP, a Delaware limited liability company, was formed on July 25, 2017 with an inception date of August 15, 2017 and is organized for the objective and purpose of owning 375 HH and 375 Hudson (together, the 375 HSP Subsidiaries) and indirectly through the 375 HSP Subsidiaries, operating, improving and maintaining a commercial building located at 375 Hudson Street in Hudson Square, in the city of New York. 375 HH intends to qualify as a REIT that holds the real and personal property as well as its interest in the ground lease at 375 Hudson Street in Hudson Square. 375 HSP is 51% owned by Trinity Church, 48% owned by NBIM Franklin 375 Hudson LLC (Norges 375) and 1% owned by Hines 375 HSP Investor LLC (Hines 375).

375 HH has outstanding 125 units, sold for $1 per unit, of cumulative, nonvoting preferred units that are callable at the discretion of 375 HH. Holders of the preferred units are entitled to receive dividends semiannually at a per annum rate equal to 12% of the liquidation preference, which is $1 per unit. Holders of the preferred units have no redemption rights and the preferred units are carried at the liquidation preference. Holders of the preferred units are presented as part of joint venture partners’ interests in real estate investments in the accompanying financial statements.

- Remainderman LLCs for 12 Operating Properties (Remainderman LLCs): The Remainderman LLCs are Delaware limited liability companies formed as single member LLCs owned by Trinity Church. Each of the Remainderman LLCs holds a remainder interest in one of the 12 properties owned by the REIT Subsidiaries and 375 HSP. The remainderman interest in the 375 Hudson property was distributed to Trinity Church on August 14, 2017.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: The accompanying consolidated financial statements (collectively, the financial statements) include the accounts of Trinity Church, St. Margaret’s House, Trinity Retreat Center, Trinity Concerts, HSP, 375 Hudson, 375 HSP, and the Remainderman LLCs, (collectively, Trinity). All significant intercompany accounts and transactions have been eliminated in consolidation. Joint venture partners’ interests in real estate investments in the accompanying consolidated balance sheets represents Norges HSP and Norges 375’s 48% ownership and Hines HSP and Hines 375’s 1% ownership of HSP and 375 HSP, respectively, along with preferred unit holders of the REIT subsidiaries.

In 2017, the year-end for St. Margaret’s House was changed from September 30 to December 31. The consolidated statement of activities for the year ended December 31, 2017 includes fifteen months of activity for St. Margaret’s House. As a result, additional ministry revenue of $1,341 and program expenses of $1,125 were included in the 2017 financial statements.

Basis of accounting and financial statement presentation: The financial statements of Trinity have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.
Note 2. Summary of Significant Accounting Policies (Continued)

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

- Restricted assets are comprised of:
  - Temporarily restricted net assets which 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, and
  - Permanently restricted net assets which 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.

- All other net assets that are not either temporarily or permanently restricted by donors are unrestricted.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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, 2017 and 2016 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.

Ministry 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.
Note 2. Summary of Significant Accounting Policies (Continued)

Collections: Trinity’s collections, which include art work, books, monuments and artifacts of historical significance, have been acquired through contributions and purchases since Trinity’s inception and are not recognized as assets on the consolidated balance sheets. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class.

Notes and loans, net: Note payable is carried at cost and presented net of unamortized deferred financing costs. Deferred financing costs consist of direct costs incurred in obtaining debt financing. Deferred financing costs are being amortized over the life of the related loans using the effective interest method and are included as a deduction from notes and loans on the consolidated balance sheets.

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 and expense recognition: Rental revenue is recognized using the accrual basis in accordance with the terms of the underlying lease agreement. Rental revenue is not accrued during periods of rent abatement as the value of the future rental revenue is considered in connection with estimating the fair value of real estate investments. Operating expenses of real estate investments are recognized as incurred. 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 or expense to Trinity, it is recognized upon execution of the termination or surrender agreement. All commercial real estate activity is included in the net return from investments.

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.

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, 2017 and 2016.

Leases and related liabilities: Trinity leases space under noncancelable 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.
Note 2. Summary of Significant Accounting Policies (Continued)

Asset retirement and environmental obligations: Trinity follows FASB ASC 410, “Asset Retirement and Environmental Obligations”; this standard requires a liability be recorded at fair value specific to certain legal or contractual obligations. The recording of a liability is required if such conditions exist and the obligation can be reasonably estimated. Trinity is not aware of any such obligations as of December 31, 2017 and 2016. Trinity will recognize a liability in the period in which it becomes aware of such liability and sufficient information is available to reasonably estimate the fair value.

Liquidity: In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities according to their nearness to their estimated maturity.

Income taxes: Trinity is a not-for-profit corporation exempt from federal income tax under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3); Trinity is similarly exempt from state income taxes. Despite the general exemption from income taxation, Trinity is subject to federal and state income tax at corporate rates on its unrelated business income.

REIT subsidiaries have elected to be taxed or intend to be taxed as REITs under sections 856-860 of the Internal Revenue Code, as amended, for federal income tax purposes. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distributes at least 90 percent of its REIT taxable income (subject to certain adjustments) to its shareholders. The REIT Subsidiaries will not be subject to federal income tax on taxable income that is distributed to the shareholders. Management believes the REIT Subsidiaries are organized in such a manner as to qualify for treatment as REITs and intend to continue in the foreseeable future in such a manner that they will remain qualified as REITs for federal income tax purposes. If the REIT Subsidiaries fail to qualify for REIT status in any taxable year, without the benefit of certain relief provisions, the REIT Subsidiaries will be subject to federal and state income tax on taxable income at regular corporate rates. Even if the REIT subsidiaries qualify for taxation as REITs, the REIT subsidiaries may be subject to certain state and local taxes on the income, property, and/or net worth and federal income and excise taxes, on undistributed income.

Trinity’s current accounting practices include the review of uncertain tax positions by management on a regular basis with adjustments and disclosures made in accordance with U.S. GAAP. For the years ended December 31, 2017 and 2016, no uncertain tax positions have been identified. Trinity is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for the years before 2014.

Recently adopted or issued accounting standards: In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance, and cash flows. The ASU will be effective for, and adopted in, 2018. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Trinity is currently evaluating the impact of the adoption of the new standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for 2020 and Trinity does not expect the adoption of the new standard to have a material impact on its financial statements.
Note 2. Summary of Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for 2019. Trinity has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. Currently, diversity exists in the classification and presentation of changes in restricted cash in the statement of cash flows. The updated standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for and will be adopted in 2019. Trinity will include restricted cash in the consolidated statements of cash flows upon the adoption of this standard.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension cost and Net Periodic Postretirement Benefit Cost, to improve guidance related to the presentation of defined benefit costs in the income statement. ASU 2017-07 set forth transparency to the several components of an employer’s financial arrangements and cost of benefits provided to employees. The ASU is effective for 2019 and Trinity does not expect the adoption of the new standard to have a material impact on its financial statements.

Reclassifications: Certain amounts and accounts reported in the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation. The reclassifications had no effect on the reported total assets, liabilities and net assets as of December 31, 2016 and the changes in net assets for the year ended December 31, 2016.

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 May 1, 2018 for these financial statements.
Net assets, which are substantially endowments, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor and other restricted funds for Trinity’s ministry:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Music programming</td>
<td>$ - $</td>
<td>$ 3,729</td>
<td>- $</td>
<td>$ 3,729</td>
</tr>
<tr>
<td>Training and education of candidates for priesthood in the Episcopal Church</td>
<td>-</td>
<td>1,481</td>
<td>1,184</td>
<td>2,665</td>
</tr>
<tr>
<td>Other restricted funds</td>
<td>-</td>
<td>4,014</td>
<td>895</td>
<td>4,909</td>
</tr>
<tr>
<td></td>
<td>- $</td>
<td>9,224</td>
<td>2,079</td>
<td>11,303</td>
</tr>
<tr>
<td>Others:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry</td>
<td>82,987</td>
<td>-</td>
<td>-</td>
<td>82,987</td>
</tr>
<tr>
<td>Endowment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate investments</td>
<td>5,669,539</td>
<td>-</td>
<td>-</td>
<td>5,669,539</td>
</tr>
<tr>
<td>Financial investments</td>
<td>2,241,876</td>
<td>-</td>
<td>-</td>
<td>2,241,876</td>
</tr>
<tr>
<td></td>
<td>7,994,402</td>
<td>-</td>
<td>-</td>
<td>7,994,402</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 7,994,402</td>
<td>$ 9,224</td>
<td>$ 2,079</td>
<td>$ 8,005,705</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor and other restricted funds for Trinity’s ministry:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Music programming</td>
<td>$ - $</td>
<td>$ 3,566</td>
<td>- $</td>
<td>$ 3,566</td>
</tr>
<tr>
<td>Training and education of candidates for priesthood in the Episcopal Church</td>
<td>-</td>
<td>1,188</td>
<td>1,184</td>
<td>2,372</td>
</tr>
<tr>
<td>Other restricted funds</td>
<td>-</td>
<td>3,669</td>
<td>905</td>
<td>4,574</td>
</tr>
<tr>
<td></td>
<td>- $</td>
<td>8,423</td>
<td>2,089</td>
<td>10,512</td>
</tr>
<tr>
<td>Others:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry</td>
<td>48,150</td>
<td>-</td>
<td>-</td>
<td>48,150</td>
</tr>
<tr>
<td>Endowment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate investments</td>
<td>5,273,159</td>
<td>-</td>
<td>-</td>
<td>5,273,159</td>
</tr>
<tr>
<td>Financial investments</td>
<td>1,964,269</td>
<td>-</td>
<td>-</td>
<td>1,964,269</td>
</tr>
<tr>
<td></td>
<td>7,285,578</td>
<td>-</td>
<td>-</td>
<td>7,285,578</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 7,285,578</td>
<td>$ 8,423</td>
<td>$ 2,089</td>
<td>$ 7,296,090</td>
</tr>
</tbody>
</table>

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 a financial investments 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 49% interest through an estate for seventy-five years in 11 of its commercial real estate buildings through transactions in each of 2015 and 2016.
Note 3. Net Assets (Continued)

Additionally, in 2017 Trinity Church sold a 49% interest through an estate for ninety-three years of a twelfth commercial real estate building at 375 Hudson. These real estate joint ventures result 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 Investment 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 Investment Committee, in accordance with the policies and procedures approved by the Vestry, also has responsibility for oversight of the Trinity wholly-owned commercial real estate portion of the endowment, which is unrestricted. The HSP and 375 HSP boards, in accordance with the policies and procedures approved by the Vestry, have responsibility for oversight of HSP and 375 HSP.

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

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

The following table summarizes the changes in donor and other restricted endowment net assets during the years ended 2017 and 2016:

<table>
<thead>
<tr>
<th></th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ 8,423</td>
<td>$ 2,089</td>
<td>$ 10,512</td>
</tr>
<tr>
<td>Contributions and other additions</td>
<td>16</td>
<td>24</td>
<td>40</td>
</tr>
<tr>
<td>Net financial investments return</td>
<td>1,592</td>
<td>-</td>
<td>1,592</td>
</tr>
<tr>
<td>Appropriations of endowment assets for expenditures for specific ministry programs</td>
<td>(841)</td>
<td>-</td>
<td>(841)</td>
</tr>
<tr>
<td>Reclassifications, net, to temporarily restricted net assets</td>
<td>34</td>
<td>(34)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>$ 9,224</td>
<td>$ 2,079</td>
<td>$ 11,303</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ 8,304</td>
<td>$ 2,090</td>
<td>$ 10,394</td>
</tr>
<tr>
<td>Contributions and other additions (deductions)</td>
<td>74</td>
<td>(1)</td>
<td>73</td>
</tr>
<tr>
<td>Net financial investments return</td>
<td>546</td>
<td>-</td>
<td>546</td>
</tr>
<tr>
<td>Appropriations of endowment assets for expenditures for specific ministry programs</td>
<td>(501)</td>
<td>-</td>
<td>(501)</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td>$ 8,423</td>
<td>$ 2,089</td>
<td>$ 10,512</td>
</tr>
</tbody>
</table>
## Note 3. Net Assets (Continued)

The following table summarizes the changes in unrestricted net assets during the years ended 2017 and 2016:

<table>
<thead>
<tr>
<th></th>
<th>Endowment</th>
<th>Attributable to Joint Venture</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ministry</td>
<td>Real Estate Investments</td>
<td>Financial Investments</td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td>$48,150</td>
<td>$3,423,750</td>
</tr>
<tr>
<td><strong>Change in net assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of real estate</td>
<td></td>
<td>-</td>
<td>185,484</td>
</tr>
<tr>
<td>Received from Joint Venture Partners</td>
<td></td>
<td>-</td>
<td>(234,865)</td>
</tr>
<tr>
<td>Distributions to Joint Venture Partners</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment return</td>
<td></td>
<td>-</td>
<td>168,434</td>
</tr>
<tr>
<td>Other (a)</td>
<td></td>
<td>(55,045)</td>
<td>-</td>
</tr>
<tr>
<td>Appropriated to Ministry from endowment and other transfers</td>
<td></td>
<td>89,882</td>
<td>(16,661)</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td></td>
<td>$82,987</td>
<td>$3,526,142</td>
</tr>
</tbody>
</table>

(a) Change in net assets for Ministry includes $(6,509) of costs of parish building development and postretirement charges other than net periodic costs of $614.

<table>
<thead>
<tr>
<th></th>
<th>Endowment</th>
<th>Attributable to Joint Venture</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ministry</td>
<td>Real Estate Investments</td>
<td>Financial Investments</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td>$38,592</td>
<td>$3,433,332</td>
</tr>
<tr>
<td><strong>Change in net assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received from Joint Venture Partners</td>
<td></td>
<td>-</td>
<td>(188,674)</td>
</tr>
<tr>
<td>Distributions to Joint Venture Partners</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment return</td>
<td></td>
<td>-</td>
<td>247,556</td>
</tr>
<tr>
<td>Other (a)</td>
<td></td>
<td>(54,455)</td>
<td>-</td>
</tr>
<tr>
<td>Appropriated to Ministry from endowment and other transfers</td>
<td></td>
<td>64,013</td>
<td>(68,464)</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td></td>
<td>$48,150</td>
<td>$3,423,750</td>
</tr>
</tbody>
</table>

(a) Change in net assets for Ministry includes $(6,509) of costs of parish building development and postretirement charges other than net periodic costs of $614.

## Note 4. Investment in Real Estate Subsidiaries

As part of its ongoing stewardship and prudent management of its endowment assets, Trinity Church entered into joint venture agreements with Norges HSP, Norges 375, Hines HSP and Hines 375 for the ownership of 12 commercial buildings located in Hudson Square.
Note 4. Investment in Real Estate Subsidiaries (Continued)

In 2015, Trinity Church entered into a joint venture agreement with Norges HSP for a 44% interest in HSP. On April 28, 2016, Trinity Church sold an additional 4% interest in HSP to Norges HSP and a 1% interest to Hines HSP, Trinity Church’s joint venture partners in real estate investments. The purchase price was $177,500, subject to prorations. The net proceeds from the sale amounted to $174,717 and are reflected as an increase in unrestricted net assets. In 2017, finalization of certain purchase price prorations resulted in additional proceeds of $763 which are reflected as an increase in unrestricted net assets in the consolidated statements of activities in amounts received from joint venture partners in real estate investments.

In January 2016, 375 Hudson issued 125 cumulative nonvoting preferred units for $1 per unit that is callable at the discretion of 375 Hudson. 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 unit. In connection with the 375 HSP transaction outlined below, the preferred unit holders of 375 Hudson were redeemed on August 17, 2017.

On August 15, 2017, Trinity Church purchased a building located at 375 Hudson Street for $580,000, financed through the assumption of a $400,000 mortgage note and a cash payment of $180,000 before closing costs and prorations. The building is held by 375 HH, a wholly owned subsidiary of 375 HSP, in which Trinity has a 100% interest. Trinity Church then contributed to 375 HH its interest in 375 Hudson of $285,000, which consisted of a ground lease under an estate for 93 years.

On August 18, 2017, Norges 375 and Hines 375 contributed a combined amount of $227,850 for a combined 49% interest in 375 HSP, subject to closing costs and prorations. The net proceeds contributed amounted to $235,580, which is reflected in the consolidated statements of activities within amounts received from joint venture partners in real estate investments. The ground lease was modified to eliminate ground rent payments.

Total distributions to the joint venture partners, including distributions to preferred members, amounted to $18,170 and $21,085 in 2017 and 2016, respectively.

Note 5. Accounts, Rent Agreements and Notes Receivable

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable - Tenants</td>
<td>$3,740</td>
<td>$5,610</td>
</tr>
<tr>
<td>Rent agreements receivable</td>
<td>1,319</td>
<td>819</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,214</td>
<td>1,919</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,273</td>
<td>8,348</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(203)</td>
<td>(278)</td>
</tr>
<tr>
<td>Accounts, rent agreements and notes receivable, net</td>
<td>$6,070</td>
<td>$8,070</td>
</tr>
</tbody>
</table>
Note 6. Investments and Fair Value Measurements
Investments, at fair value, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
<td>Global</td>
<td>Total</td>
</tr>
<tr>
<td>Financial investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$340,602</td>
<td>$-</td>
<td>$340,602</td>
</tr>
<tr>
<td>Fixed income</td>
<td>91,425</td>
<td>58,296</td>
<td>149,721</td>
</tr>
<tr>
<td>Equities and equity mutual funds</td>
<td>589,693</td>
<td>747,495</td>
<td>1,337,188</td>
</tr>
<tr>
<td>Private equity funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td>4,685</td>
<td>-</td>
<td>4,685</td>
</tr>
<tr>
<td>Distressed</td>
<td>2,034</td>
<td>620</td>
<td>2,654</td>
</tr>
<tr>
<td>Venture capital</td>
<td>11,827</td>
<td>-</td>
<td>11,827</td>
</tr>
<tr>
<td>Commodities</td>
<td>-</td>
<td>1,386</td>
<td>1,386</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-strategy</td>
<td>31,644</td>
<td>375,039</td>
<td>406,683</td>
</tr>
<tr>
<td>Distressed</td>
<td>-</td>
<td>907</td>
<td>907</td>
</tr>
<tr>
<td>Total financial investments</td>
<td>1,071,910</td>
<td>1,183,743</td>
<td>2,255,653</td>
</tr>
<tr>
<td>Real estate investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint venture real estate investments</td>
<td>4,705,000</td>
<td>-</td>
<td>4,705,000</td>
</tr>
<tr>
<td>Trinity wholly owned real estate investments</td>
<td>1,268,000</td>
<td>-</td>
<td>1,268,000</td>
</tr>
<tr>
<td>Total real estate investments</td>
<td>5,973,000</td>
<td>-</td>
<td>5,973,000</td>
</tr>
<tr>
<td>Total investments</td>
<td>$7,044,910</td>
<td>$1,183,743</td>
<td>$8,228,653</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
<td>Global</td>
<td>Total</td>
</tr>
<tr>
<td>Financial investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$279,325</td>
<td>$-</td>
<td>$279,325</td>
</tr>
<tr>
<td>Fixed income</td>
<td>90,321</td>
<td>139,171</td>
<td>229,492</td>
</tr>
<tr>
<td>Equities and equity mutual funds</td>
<td>541,989</td>
<td>542,663</td>
<td>1,084,652</td>
</tr>
<tr>
<td>Private equity funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td>5,987</td>
<td>-</td>
<td>5,987</td>
</tr>
<tr>
<td>Distressed</td>
<td>3,082</td>
<td>790</td>
<td>3,872</td>
</tr>
<tr>
<td>Venture capital</td>
<td>9,512</td>
<td>-</td>
<td>9,512</td>
</tr>
<tr>
<td>Commodities</td>
<td>-</td>
<td>1,373</td>
<td>1,373</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-strategy</td>
<td>98</td>
<td>328,739</td>
<td>328,837</td>
</tr>
<tr>
<td>Distressed</td>
<td>-</td>
<td>33,434</td>
<td>33,434</td>
</tr>
<tr>
<td>Total financial investments</td>
<td>930,314</td>
<td>1,046,170</td>
<td>1,976,484</td>
</tr>
<tr>
<td>Real estate investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint venture real estate investments</td>
<td>3,735,000</td>
<td>-</td>
<td>3,735,000</td>
</tr>
<tr>
<td>Trinity wholly owned real estate investments</td>
<td>1,472,500</td>
<td>-</td>
<td>1,472,500</td>
</tr>
<tr>
<td>Total real estate investments</td>
<td>5,207,500</td>
<td>-</td>
<td>5,207,500</td>
</tr>
<tr>
<td>Total investments</td>
<td>$6,137,814</td>
<td>$1,046,170</td>
<td>$7,183,984</td>
</tr>
</tbody>
</table>
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. Additionally, Trinity has investments in real estate through a controlling interest in HSP and 375 HSP, and through several wholly owned commercial real estate properties.

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, 2017 and 2016, Trinity’s outstanding commitments to these limited partnerships are $50,472 and $4,037, respectively.

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.

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

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

Securities traded on a national securities exchange (or reported on the Nasdaq global market), 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.
The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

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

Note 6. Investments and Fair Value Measurements (Continued)

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'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.

In addition to the real estate owned through HSP and 375 HSP, Trinity also wholly owns several development sites as well as properties underground leases.

At December 31, 2017, Trinity used the market transaction price on August 18, 2017 to value 375 HSP which is classified within Level 3 of the valuation hierarchy.

Real estate investments are stated at fair value. The real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. As a result, determining real estate investment values involves many assumptions. Amounts ultimately realized from each investment may vary significantly from the fair value presented.

Real estate investment values are adjusted for expenditures that extend the economic life or represent additional capital investments benefiting future periods, including tenant improvements and leasing commissions. Since real estate investments are carried at estimated fair values, no provision is made for depreciation of cost or amortization of tenant improvement or leasing commissions.

Fair value calculations were prepared by independent appraisers and reviewed and approved by management. All appraisal reports and appraisal reviews comply with the currently published Uniform Standards of Professional Appraisals Practice (USPAP).
Note 6. Investments and Fair Value Measurements (Continued)

The below ranges include the significant unobservable inputs used to determine the fair value of the real estate investment properties as of December 31, 2017 and 2016:

### Joint Venture Real Estate (Income Capitalization Approach)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
<td>Weighted</td>
<td>Average</td>
</tr>
<tr>
<td>Terminal capitalization rates</td>
<td>5.50%</td>
<td>5.75%</td>
<td>5.53%</td>
<td></td>
</tr>
<tr>
<td>Discount rates</td>
<td>6.50%</td>
<td>7.25%</td>
<td>6.76%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal capitalization rates</td>
<td>5.50%</td>
<td>5.75%</td>
<td>5.53%</td>
<td></td>
</tr>
<tr>
<td>Discount rates</td>
<td>6.75%</td>
<td>7.50%</td>
<td>7.01%</td>
<td></td>
</tr>
</tbody>
</table>

### Development Sites (Sales Comparison Approach)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales price per square foot</td>
<td>$524</td>
<td>$826</td>
<td>$598</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales price per square foot</td>
<td>$450</td>
<td>$825</td>
<td>$569</td>
<td></td>
</tr>
</tbody>
</table>

### Ground Leases (Income Capitalization Approach)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rates</td>
<td>6.00%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rates</td>
<td>6.00%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Remainderman Interests (Income Capitalization Approach)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal capitalization rates</td>
<td>5.50%</td>
<td>7.00%</td>
<td>6.42%</td>
<td></td>
</tr>
<tr>
<td>Discount rates</td>
<td>5.50%</td>
<td>12.00%</td>
<td>8.00%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal capitalization rates</td>
<td>6.25%</td>
<td>6.50%</td>
<td>6.44%</td>
<td></td>
</tr>
<tr>
<td>Discount rates</td>
<td>5.50%</td>
<td>12.00%</td>
<td>8.00%</td>
<td></td>
</tr>
</tbody>
</table>
Note 6. Investments and Fair Value Measurements (Continued)

Real estate investments are accounted for at fair value and are estimated based on the price that would be received from the sale of the properties in an orderly transaction between marketplace participants at the measurement date. Considerable judgment is required in interpreting market data to determine the estimates of value; accordingly, the estimates of value presented in the financial statements are not necessarily indicative of the amount that Trinity Church could realize in a market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

Investments carried at fair value at December 31, 2017 and 2016 are classified in the following tables in one of the three levels described earlier.

<table>
<thead>
<tr>
<th>Financial investments:</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$340,602</td>
</tr>
<tr>
<td>Fixed income</td>
<td>122,534</td>
</tr>
<tr>
<td>Equities and equity mutual funds</td>
<td>756,206</td>
</tr>
<tr>
<td>Private equity funds:</td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td>-</td>
</tr>
<tr>
<td>Distressed</td>
<td>-</td>
</tr>
<tr>
<td>Venture capital</td>
<td>-</td>
</tr>
<tr>
<td>Commodities</td>
<td>-</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
</tr>
<tr>
<td>Multi-strategy</td>
<td>-</td>
</tr>
<tr>
<td>Distressed</td>
<td>-</td>
</tr>
<tr>
<td>Total financial investments</td>
<td>1,219,342</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real estate investments:</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint venture real estate investments</td>
<td>-</td>
</tr>
<tr>
<td>Trinity wholly owned real estate investments</td>
<td>-</td>
</tr>
<tr>
<td>Total real estate investments</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>$1,219,342</td>
</tr>
</tbody>
</table>

(a) Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified as Level 2 or 3, in accordance with ASU 2015-07, and are shown for informational purposes.
Note 6. Investments and Fair Value Measurements (Continued)

<table>
<thead>
<tr>
<th>Financial investments:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>(Net Asset Value)(a)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 279,325</td>
<td>-</td>
<td>-</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Fixed income</td>
<td>205,932</td>
<td>-</td>
<td>-</td>
<td>23,560</td>
<td>229,492</td>
</tr>
<tr>
<td>Equities and equity mutual funds</td>
<td>696,115</td>
<td>-</td>
<td>-</td>
<td>388,537</td>
<td>1,084,652</td>
</tr>
<tr>
<td>Private equity funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,987</td>
<td>5,987</td>
</tr>
<tr>
<td>Distressed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,872</td>
<td>3,872</td>
</tr>
<tr>
<td>Venture capital</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,512</td>
<td>9,512</td>
</tr>
<tr>
<td>Commodities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,373</td>
<td>1,373</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-strategy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>328,837</td>
<td>328,837</td>
</tr>
<tr>
<td>Distressed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33,434</td>
<td>33,434</td>
</tr>
<tr>
<td>Total financial investments</td>
<td>1,181,372</td>
<td>-</td>
<td>-</td>
<td>795,112</td>
<td>1,976,484</td>
</tr>
</tbody>
</table>

| Real estate investments:                                   |         |         |         |                     |       |
| Joint venture real estate investments                      | -       | -       | 3,735,000 | - | 3,735,000 |
| Trinity wholly owned real estate investments               | -       | -       | 1,472,500 | - | 1,472,500 |
| Total real estate investments                              | -       | -       | 5,207,500 | - | 5,207,500 |
| Total investments                                          | $ 1,181,372 | $ - | $ 5,207,500 | $ 795,112 | $ 7,183,984 |

(a) Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified as Level 2 or 3, in accordance with ASU 2015-07, and are shown for informational purposes.

There were no transfers between investment levels in the years ended December 31, 2017 and 2016.
The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

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

Note 6. Investments and Fair Value Measurements (Continued)

The following table summarizes the investment strategies and liquidity provisions of investments in other funds valued at the NAV as provided by the fund managers as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Unfunded</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commitments</td>
</tr>
<tr>
<td>Fixed income</td>
<td>$ 27,187</td>
<td>$ -</td>
</tr>
<tr>
<td>Equities and equity mutual funds</td>
<td>580,982</td>
<td>-</td>
</tr>
<tr>
<td>Private equity funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td>4,685</td>
<td>333</td>
</tr>
<tr>
<td>Distressed</td>
<td>2,654</td>
<td>20,835</td>
</tr>
<tr>
<td>Venture capital</td>
<td>11,827</td>
<td>28,852</td>
</tr>
<tr>
<td>Commodities</td>
<td>1,386</td>
<td>452</td>
</tr>
<tr>
<td>Hedge funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-strategy</td>
<td>406,683</td>
<td>-</td>
</tr>
<tr>
<td>Distressed</td>
<td>907</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,036,311</td>
<td>$ 50,472</td>
</tr>
</tbody>
</table>

(a) 2017: Redemption frequency is permitted as follows: $212.8 million daily, $188.2 million monthly, $120.7 million quarterly and $59.3 million annually. Redemption notice periods are as follows: $95.3 million, 3 days notice; $202.6 million, 10 days notice; $103.0 million, 15 days notice; $53.4 million, 30 days notice; $31.1 million, 45 days notice; $45.3 million, 60 days notice; $50.3 million, 90 days notice.

2016: Redemption frequency is permitted as follows: $161.5 million daily, $201.8 million monthly, and $25.3 million annually. Redemption notice periods are as follows: $72.3 million, 3 days notice; $153.0 million, 10 days notice; $79.2 million, 15 days notice; $58.8 million, 30 days notice; $25.3 million, 90 days notice.

(b) 2017: Redemption frequency is permitted as follows: $18.0 million daily, $52.3 million monthly, $271.1 million quarterly, $64.8 million annually, and $0.3 million illiquid. Redemption notice periods are as follows: $18.0 million, 3 days notice; $83.9 million, 30 days notice; $102.6 million, 45 days notice; $164.7 million, 60 days notice; $37.1 million, 90 days notice.

2016: Redemption frequency is permitted as follows: $16.9 million daily; $131.5 million monthly; $117.6 million quarterly; $62.3 million annually; $0.6 million illiquid.

(c) 2017: Investments totaling $907 thousand have been fully redeemed and proceeds will be received in 2018 and 2019.

(d) 2017: Certain investments have lock-up periods that expire within 24 months. $125 million of investments have lock-up periods that expire within 12 months or less, and $75 million on investments have lock-up periods that expire within 13 – 24 months.
The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries

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

Note 6. Investments and Fair Value Measurements (Continued)

As of December 31, 2017, the expected remaining life of each of the Private Equity Funds is as follows:

<table>
<thead>
<tr>
<th></th>
<th>1 to 5 Years</th>
<th>6 to 10 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private equity funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas</td>
<td>$4,685</td>
<td>$-</td>
<td>$4,685</td>
</tr>
<tr>
<td>Distressed</td>
<td>$2,654</td>
<td>$-</td>
<td>$2,654</td>
</tr>
<tr>
<td>Venture capital</td>
<td>$5,516</td>
<td>$6,311</td>
<td>$11,827</td>
</tr>
<tr>
<td>Commodities</td>
<td>$1,386</td>
<td>$-</td>
<td>$1,386</td>
</tr>
<tr>
<td>Total</td>
<td>$14,241</td>
<td>$6,311</td>
<td>$20,552</td>
</tr>
</tbody>
</table>

Changes in assets measured at fair value using Level 3 inputs for the years ended December 31, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Net Realized</td>
</tr>
<tr>
<td></td>
<td>January 1,</td>
<td>Gains (Losses) and Other Income</td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint venture real estate</td>
<td>$3,735,000</td>
<td>$35,936</td>
</tr>
<tr>
<td>Trinity wholly owned commercial real estate</td>
<td>$1,472,500</td>
<td>77,931</td>
</tr>
<tr>
<td>Total</td>
<td>$5,207,500</td>
<td>$113,867</td>
</tr>
</tbody>
</table>

The components of net return from investments as reported in the consolidated statements of activities consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Financial</td>
<td>Real Estate</td>
</tr>
<tr>
<td>Net investment income from real estate</td>
<td>$-</td>
<td>$130,981</td>
</tr>
<tr>
<td>Net realized/unrealized gains</td>
<td>285,795</td>
<td>113,867</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>24,817</td>
<td>-</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(5,413)</td>
<td>-</td>
</tr>
<tr>
<td>Investment related expenses</td>
<td>(2,875)</td>
<td>-</td>
</tr>
<tr>
<td>Net return from investments</td>
<td>$302,324</td>
<td>$244,848</td>
</tr>
</tbody>
</table>

The total net return on investments in 2017 was $547,172, of which, $1,592 is in temporarily restricted net assets. The total net return on investments in 2016 was $464,343, of which, $546 is in temporarily restricted net assets.
Note 7. Minimum Future Rental Commitments from Real Estate Tenants

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, 2017 as follows:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>$ 282,223</td>
</tr>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>291,084</td>
</tr>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>288,192</td>
</tr>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>279,234</td>
</tr>
<tr>
<td></td>
<td>2022</td>
</tr>
<tr>
<td></td>
<td>264,532</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,306,172</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Future minimum rental income</td>
<td>$ 2,711,437</td>
</tr>
</tbody>
</table>

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.

Note 8. Ministry Property and Equipment

Ministry property and equipment consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Church buildings and grounds</td>
<td>$ 62,086</td>
<td>$ 59,858</td>
</tr>
<tr>
<td>Clergy housing</td>
<td>4,241</td>
<td>5,520</td>
</tr>
<tr>
<td>Ministry and parish facilities</td>
<td>31,655</td>
<td>29,474</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>17,654</td>
<td>13,286</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(54,387)</td>
<td>(51,229)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>115,636</td>
<td>108,138</td>
</tr>
<tr>
<td>Construction-in-progress - Parish building development</td>
<td>61,249</td>
<td>56,909</td>
</tr>
<tr>
<td>Ministry property and equipment, net</td>
<td>$ 123,579</td>
<td>$ 66,004</td>
</tr>
</tbody>
</table>

Depreciation and amortization expenses for property and equipment was $5,694 and $4,773 in 2017 and 2016, respectively, and are included as ministry expenses in the consolidated statements of activities.

Certain costs pertaining to the decision to demolish and rebuild a new parish building at 76 Trinity Place are reflected as parish building development in the consolidated statements of activities. Trinity has begun the construction of the parish building and expects to complete the project in late 2019.

Construction-in-progress – parish building development contains costs for both Trinity ministry property as well as planned commercial real estate. Once the building is placed in service, the cost attributable to commercial real estate will be transferred to investment in commercial real estate. The estimated amount of costs attributable to the commercial portion is $24,163 and $2,477 at December 31, 2017 and 2016, respectively.
Note 8. Ministry Property and Equipment (Continued)

In 2017, two non-commercial properties were sold for a gain of $6,878. In 2016, two non-commercial properties were sold for a gain of $2,952. These gains are included in all other revenue as part of ministry revenue in the consolidated statements 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 $58,875 and $54,927 at December 31, 2017 and 2016, respectively.

Note 10. 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 2017 and 2016 and totaled $791 and $780, 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 $634 and $632 in 2017 and 2016, respectively, which represent up to 5% of each covered employee's salary in each year.

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.
Note 10. Employee Benefits and Other Postretirement Plans (Continued)

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation, beginning of year</td>
<td>$9,425</td>
<td>$9,850</td>
</tr>
<tr>
<td>Service cost</td>
<td>$84</td>
<td>$120</td>
</tr>
<tr>
<td>Interest cost</td>
<td>$309</td>
<td>$385</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>($319)</td>
<td>($277)</td>
</tr>
<tr>
<td>Plan settlement</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Curtailment gain</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial gain</td>
<td>($1,136)</td>
<td>($653)</td>
</tr>
<tr>
<td>Benefit obligation, end of year</td>
<td>$8,363</td>
<td>$9,425</td>
</tr>
</tbody>
</table>

Change in plan assets:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer contributions</td>
<td>319</td>
<td>277</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>($319)</td>
<td>($277)</td>
</tr>
</tbody>
</table>

Funded status, end of year and amounts recognized as liability in consolidated balance sheets:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (8,363)</td>
<td>$ (9,425)</td>
<td></td>
</tr>
</tbody>
</table>

Net periodic benefit cost includes the following components:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$84</td>
<td>$120</td>
</tr>
<tr>
<td>Interest cost</td>
<td>309</td>
<td>385</td>
</tr>
<tr>
<td>Curtailment gain</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Plan settlement</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognized net actuarial gain</td>
<td>-</td>
<td>28</td>
</tr>
</tbody>
</table>

Net benefit periodic cost

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$393</td>
<td>$533</td>
<td></td>
</tr>
</tbody>
</table>
Note 10. Employee Benefits and Other Postretirement Plans (Continued)

Other changes in benefit obligations recognized in changes in unrestricted net assets for the year ended December 31, 2017 and 2016 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:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrecognized loss and prior service cost, beginning of year</td>
<td>$(1,068)</td>
<td>$(1,749)</td>
</tr>
<tr>
<td>Actuarial gain</td>
<td>1,136</td>
<td>653</td>
</tr>
<tr>
<td>Recognized net actuarial gain</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>Plan settlement gain (loss)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net unrecognized gain (loss) and prior service credit (cost) end of year</td>
<td>$68</td>
<td>$(1,068)</td>
</tr>
</tbody>
</table>

There are no estimated amounts to be recognized in benefit costs in 2018.

Weighted-average assumptions used to determine benefit obligation included the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.50%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Initial medical trend rate</td>
<td>6.75%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Ultimate medical trend rate</td>
<td>4.75%</td>
<td>4.75%</td>
</tr>
<tr>
<td>Year of ultimate trend</td>
<td>2025</td>
<td>2025</td>
</tr>
</tbody>
</table>

Weighted average assumption used to determine net period pension cost included the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.00%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Expected long-term return on plan assets</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Initial medical trend rate</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Ultimate medical trend rate</td>
<td>4.75%</td>
<td>4.75%</td>
</tr>
<tr>
<td>Year of ultimate trend</td>
<td>2025</td>
<td>2025</td>
</tr>
</tbody>
</table>
Note 10. Employee Benefits and Other Postretirement Plans (Continued)

At December 31, 2017 the RP 2014 Total Dataset (adjusted to 2006) with Scale MP 2017 was used for the mortality assumptions. At December 31, 2016 the RP 2014 Total Dataset (adjusted to 2006) with Scale MP 2016 was used for the mortality assumptions.

The healthcare cost trend rate assumption has a significant effect on the amounts reported. For the year ended December 31, 2017, 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:

<table>
<thead>
<tr>
<th></th>
<th>1% Increase</th>
<th>1% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and service cost</td>
<td>$69</td>
<td>$(55)</td>
</tr>
<tr>
<td>Accumulated postretirement benefit obligation</td>
<td>$1,324</td>
<td>$(1,065)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Postretirement Health and Life Insurance Benefits</th>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>$407</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>$402</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>$429</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$439</td>
</tr>
<tr>
<td></td>
<td>2022</td>
<td>$437</td>
</tr>
<tr>
<td></td>
<td>Thereafter</td>
<td>$2,059</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$4,173</td>
</tr>
</tbody>
</table>

Trinity expects to contribute $407 to its postretirement health and life insurance benefit plan in 2018.

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 $444 and $411 in 2017 and 2016, respectively.
Note 11. Notes and Loans, Net

On August 15, 2017, 375 HH assumed a loan in the amount of $400,000 to partially fund the acquisition of the building at 375 Hudson. The loan bears a fixed interest at 3.493% per annum, is secured by the leasehold and estate for years interest in the building and requires monthly interest only payments through maturity on September 6, 2027. The note payable balance as of December 31, 2017 is as follows:

<table>
<thead>
<tr>
<th>2017</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total principal outstanding</td>
<td>$400,000</td>
<td></td>
</tr>
<tr>
<td>Unamortized deferred financing charges</td>
<td>(4,414)</td>
<td></td>
</tr>
<tr>
<td>Note payable, net</td>
<td>$395,586</td>
<td></td>
</tr>
</tbody>
</table>

Deferred financing costs were incurred in obtaining the note payable. During the year ended December 31, 2017, $4,595 was capitalized as deferred financing costs. These costs are amortized into interest expense on a straight-line basis over the life of the related debt, which approximates the effective interest method. Amortization of deferred financing costs was $181 for the period from August 15, 2017 through December 31, 2017. The balance of deferred financing costs as of December 31, 2017 is $4,414 and is included in notes and loans, net on the accompanying consolidated balance sheets.

Trinity Church has two $25,000 unsecured committed revolving credit facilities. The facilities can be drawn and paid down at any time until September 16, 2019, when they mature and any amounts outstanding will be payable. The facilities have variable interest rates of London Interbank Offered Rate (LIBOR) plus 70 basis points for LIBOR based loans or prime for prime rate based loans. There were no loans outstanding under these facilities at December 31, 2017 and 2016.

Trinity Church also entered into a $75,000 unsecured committed revolving credit facility during 2017. The facility can be drawn and paid down at any time until August 22, 2018, when it matures and any amounts outstanding will be payable. The facility has variable interest rates of LIBOR plus 35 basis points for LIBOR based loans or prime minus 200 basis points for prime rate based loans. There was $18,800 of loans outstanding under this facility at December 31, 2017. The interest rate under this facility was 1.8% at December 31, 2017.

The credit agreements have various covenants including the maintenance of unencumbered net assets at the last day of the second quarter and the last day of each fiscal year in an amount at least equal to $100,000.

St. Margaret’s House was indebted to the U.S. Department of Housing and Urban Development (HUD) under a loan agreement dated December 1979, which was 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 $224 and $382 for the years ended December 31, 2017 and 2016, respectively.

On June 13, 2017, Trinity Church entered into a $6,500 loan agreement with St. Margaret’s, secured by a mortgage on the property. A draw under this agreement was used to fund the payoff of the HUD mortgage. The intercompany balances and transactions relating to this loan agreement have been eliminated upon consolidation.

Trinity has complied with all the bank covenants in 2017 and 2016.
Note 12. Related Party Transactions

Trinity has property management and asset management agreements with Hines Interests Limited Partnership (HILP) to manage the operations of the 12 properties at HSP and 375 HSP, which expire on May 31, 2026. In addition, the management agreements provide for reimbursement of certain costs related to managing the properties.

The amounts paid to HILP for the property and asset management of the 12 properties was $13,393 and $6,242 in 2017 and 2016, respectively. These amounts are reflected within the net return from real estate investments line on the accompanying consolidated statements of activities.

Note 13. Commitments and Contingencies

Trinity has agreements to purchase electricity from Direct Energy, which will expire in May 2019 and June 2019, respectively. The pricing is based upon a fixed rate and floating New York Installed Capacity (ICAP) rate.

Trinity enters 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 the development of the 76 Trinity Place parish building, which will house Trinity’s congregational space, ministry offices, a gym and commercial tenants. As of December 31, 2017, Trinity Church has $139,711 in outstanding commitments related to the 76 Trinity Place parish building development.

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:

<table>
<thead>
<tr>
<th>Years ending December 31</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3,747</td>
</tr>
<tr>
<td>2019</td>
<td>3,246</td>
</tr>
<tr>
<td>2020</td>
<td>619</td>
</tr>
<tr>
<td>2021</td>
<td>637</td>
</tr>
<tr>
<td>2022</td>
<td>656</td>
</tr>
<tr>
<td>Thereafter</td>
<td>4,638</td>
</tr>
<tr>
<td></td>
<td><strong>$ 13,543</strong></td>
</tr>
</tbody>
</table>

The total rent expense included as ministry expenses in the consolidated statements of activities for the years ended December 31, 2017 and 2016 on a straight-line basis is $3,526 and $3,509, respectively.
Note 13. Commitments and Contingencies (Continued)

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.

Trinity, as an owner of real estate, is subject to various environmental laws of the federal and local governments. Compliance by Trinity with existing laws has not had a material adverse effect on Trinity's 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 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 the active monitoring and oversight of risks by an internal investment management team.

Real estate-related concentration: Trinity's real estate investments are 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, 2017 and 2016, no tenants accounted for more than 10% of leasing related revenue.