



Susan MacEachron
CHIEF FINANCIAL OFFICER

Letter from the CFO accompanying the 2016 Financial Statements

The 2016 audited financial report for The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York, prepared in accordance with generally accepted accounting principles (GAAP) is complete and available on Trinity's website. The 2016 financial report reflects a significant change in Trinity's accounting for its investments in real estate. The real estate component of the endowment is now reflected at fair market value in the same manner as the financial assets have always been reported. Due to this significant change in accounting only the single year 2016 is being presented.

Trinity's primary source of funding for its ministries historically has been its commercial real estate portfolio located in Manhattan's Hudson Square neighborhood. The real estate is the remaining legacy of the original land grant from Queen Anne of England in 1705. In December 2015, as part of ongoing stewardship and prudent management of its endowment assets, Trinity entered into a seventy-five year joint venture ("JV") agreement with Norges Bank Investment Management ("NBIM") for eleven of its commercial real estate properties. The goal was diversification of Trinity's endowment, and proceeds from the NBIM purchase were invested in financial assets within Trinity's investment portfolio. The JV added an operating partner in April 2016 with an agreement between Trinity, NBIM and Hines, such that the JV interests are held 51%, 48% and 1% respectively. As the controlling member of the JV, Trinity is required by GAAP to consolidate the 49% interest in the real estate assets owned by NBIM and Hines on its financial statements. The NBIM and Hines ownership interest is referred to as "noncontrolling interests" on the Consolidated Balance Sheet and the Consolidated Statement of Activities.

Trinity's strong financial foundation continues to provide the resources to support its ministry, parish programs and outreach. Trinity spent \$69.6 million on its ministry activities in 2016, which included \$26.4 million for its parish programs and outreach ministries; \$9.3 million in grants, gifts and its assessment to the Diocese of New York to further the good works of others; \$10.9 million for operating, maintenance and depreciation expenses for Trinity Church, St. Paul's Chapel and its other mission properties; \$5.9 million in digital outreach and ministry communications which includes webcasting of services, concerts and religious education programming; and \$6.5 million in demolition and other costs related to the development of 74 Trinity Place. The demolition of 74 Trinity Place, which began in 2014, was completed in 2016. The building of a new Parish Center has begun and we hope to open the doors in 2019. Ministry expenses also included \$6.3 million for institutional and programmatic support. The expenses for Trinity's numerous programs were partially offset by contributions and donations, preschool tuition and the sale of other property. St. Margaret's House, a Trinity-sponsored housing facility for low income seniors and mobility impaired people, is funded by rental payments from tenants and assistance from the U.S. Department of Housing and Urban Development. Trinity's net expenditure for all its ministry was \$55.1 million.

Trinity has been making significant investments in the preservation and enhancement of its historic and iconic buildings that support its ministries and our neighborhood. In addition to its operating budget, Trinity spent \$6.6 million of capital in 2016, and among other projects, completed a significant restoration of St. Paul's Chapel in time for its 250th anniversary.

In 2016, the consolidated net return from commercial real estate operations was \$362 million, which includes \$239 million of unrealized appreciation in value and \$123 million of operating income. Trinity's share of the operating income earned from real estate was \$74 million. Trinity's gain on the financial assets in the endowment was \$102 million.

Trinity is guided by its core values of faith, integrity, inclusiveness, compassion, social justice and the commitment to carefully steward the legacy bestowed over 300 years ago to sustain and support its mission, in perpetuity.

A handwritten signature in black ink that reads "Susan MacEachron".

Susan MacEachron, *Chief Financial Officer*

for a world of good