

**The Corporation of  
The Brick Presbyterian Church  
in the City of New York**

Financial Statements

December 31, 2007



## **Independent Auditors' Report**

### **The Board of Trustees of The Corporation of the Brick Presbyterian Church in the City of New York**

We have audited the accompanying statement of financial position of The Corporation of the Brick Presbyterian Church in the City of New York (the "Church") as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Church's financial statements for the year ended December 31, 2006 and, in our report dated March 17, 2006, we expressed a qualified opinion on those financial statements. The qualification in our 2006 report was due to the fact that the Church does not capitalize and depreciate acquisitions of, or improvements to, buildings, furniture and equipment, except for the original cost of the Church's manses, which were capitalized, but not depreciated, as required by generally accepted accounting principles.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in the summary of significant accounting policies, the Church does not capitalize and depreciate acquisitions of, or improvements to, buildings, furniture and equipment, except for the original cost of the Church's manses, which were capitalized, but not depreciated. Generally accepted accounting principles in the United States of America require that long-lived tangible assets be capitalized and depreciated over their estimated useful lives. The effect of this departure from generally accepted accounting principles is not determinable.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Corporation of the Brick Presbyterian Church in the City of New York at December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Church adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 1906 and 132(r)*, effective December 31, 2007.

As discussed in Note 6, the financial statements include investments valued at \$10,096,761 (31% of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on fair value information provided by the fund managers or general partners.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effect of not capitalizing and depreciating plant assets, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*O'Connor Davies Murino & Dobbins, LLP*

New York, New York  
April 17, 2008

**The Corporation of Brick Presbyterian Church  
in the City of New York**

Statement of Financial Position

December 31, 2007

(With comparative amounts at December 31, 2006)

	2007	2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,534,517	\$ 1,658,120
Accounts receivable	146,390	79,007
Note receivable	369,898	371,716
Investments	32,217,007	29,256,120
Accrued interest receivable	-	33,707
Prepaid expenses and other assets	20,362	30,630
Promises to give receivable, net	2,383,155	3,046,476
Land, buildings, furniture and equipment	1	1
Manses	449,996	449,996
Beneficial interest in perpetual trust	1,299,468	1,267,317
	\$ 39,420,794	\$ 36,193,090
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 132,255	\$ 111,245
Other liabilities	196,555	214,063
Accrued pension plan cost	273,041	-
Minimum pension liability	-	99,980
Deferred tuition	1,160,464	1,019,887
	1,762,315	1,445,175
Net assets		
Unrestricted		
Operating	\$ 473,798	\$ 121,502
Quasi-endowment	13,865,459	13,070,372
Plant	3,568,994	3,345,166
Women's Association	233,419	214,524
	18,141,670	16,751,564
Temporarily restricted	16,608,617	15,120,310
Permanently restricted	2,908,192	2,876,041
	37,658,479	34,747,915
	\$ 39,420,794	\$ 36,193,090

See notes to financial statements

**The Corporation of the Brick Presbyterian Church  
in the City of New York**

Statement of Activities

Year Ended December 31, 2007

(With summarized totals for the year ended December 31, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
<b>OPERATING REVENUE</b>					
Contributions and gifts	\$ 1,115,335	\$ 3,232,190	\$ -	\$ 4,347,525	\$ 4,910,527
Allocated investment income	887,451	1,279,895	-	2,167,346	1,930,265
Income from perpetual trust	34,219	-	-	34,219	31,836
Day School tuition and fees	2,383,537	-	-	2,383,537	1,967,840
Brick Church Fair income, net of direct expenses of \$224,409 and \$205,380	187,879	-	-	187,879	175,512
Interest and other income	83,133	-	-	83,133	48,466
Net assets released from restrictions					
Stewardship	1,717,642	(1,717,642)	-	-	-
Day School Capital Campaign	339,182	(339,182)	-	-	-
Other	966,954	(966,954)	-	-	-
Total Operating Revenue	7,715,332	1,488,307	-	9,203,639	9,064,446
<b>OPERATING EXPENSES</b>					
Pastoral	648,296	-	-	648,296	632,408
Ministry of music	380,886	-	-	380,886	366,968
Day School direct expenses	2,471,091	-	-	2,471,091	2,137,697
Christian education	136,029	-	-	136,029	60,784
Denominational assessment	75,163	-	-	75,163	81,596
Benevolence	864,009	-	-	864,009	1,150,967
Administration	1,149,951	-	-	1,149,951	1,047,033
Operation and maintenance of plant	1,040,677	-	-	1,040,677	978,785
Uncollectible stewardship campaign pledges	10,359	-	-	10,359	42,941
Total Operating Expenses	6,776,461	-	-	6,776,461	6,499,179
Excess of Operating Revenue Over Operating Expenses	938,871	1,488,307	-	2,427,178	2,565,267
<b>NON-OPERATING ACTIVITIES</b>					
Church renovation expenses	(360,769)	-	-	(360,769)	(258,205)
Nonoperating investment income	791,184	-	-	791,184	382,355
Change in beneficial interest in perpetual trust	-	-	32,151	32,151	91,410
Change in Net Assets Before Other Changes	1,369,286	1,488,307	32,151	2,889,744	2,780,827
<b>OTHER CHANGES IN NET ASSETS</b>					
Minimum pension liability adjustment	-	-	-	-	57,732
Effect of adoption of FASB statement No. 158 net of curtailment gain	20,820	-	-	20,820	-
Change in Net Assets	1,390,106	1,488,307	32,151	2,910,564	2,838,559
<b>NET ASSETS</b>					
Beginning of year	16,751,564	15,120,310	2,876,041	34,747,915	31,909,356
End of year	\$ 18,141,670	\$ 16,608,617	\$ 2,908,192	\$ 37,658,479	\$ 34,747,915

See notes to financial statements

**The Corporation of Brick Presbyterian Church  
in the City of New York**

Statement of Cash Flows

December 31, 2007

(With comparative amounts for the year ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,910,564	\$ 2,838,559
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Uncollectible capital campaign pledges	10,359	42,941
Net realized gains on sales of investments	(5,485,142)	(598,708)
Appreciation of investments	3,007,190	(1,151,205)
Change in beneficial interest in perpetual trust	(32,151)	(91,410)
Minimum pension liability		(57,732)
Effect of adoption of FASB Statement No. 158	(20,820)	-
Net change in operating assets and liabilities	<u>967,514</u>	<u>(952,708)</u>
 Net Cash Provided by Operating Activities	 <u>1,357,514</u>	 <u>29,737</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	17,563,507	7,389,995
Purchase of investments	(17,514,965)	(10,710,922)
Net change in money market investments	(531,477)	3,457,867
Cash received on note receivable	<u>1,818</u>	<u>36,771</u>
 Net Cash (Used) Provided by Investing Activities	 <u>(481,117)</u>	 <u>173,711</u>
 Net Change in Cash and Cash Equivalents	 876,397	 203,448
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,658,120</u>	<u>1,454,672</u>
 End of year	 <u>\$ 2,534,517</u>	 <u>\$ 1,658,120</u>

See notes to financial statements

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

*Basis of Presentation*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as unrestricted, temporarily restricted and permanently restricted.

*Cash and Cash Equivalents*

Cash and cash equivalents includes all cash balances and highly liquid investments with a initial maturity of three months or less at the time of purchase.

*Accounts and Promises to Give Receivable*

The Church believes all accounts receivable are current and collectible.

Unconditional promises to give receivable are recorded when the promise is made. An estimate of uncollectible promises has been made and included as an offset to promises to give receivable. Unconditional promises to give to be received in future years are discounted to present value.

*Investments*

All debt securities and marketable equity securities are stated at fair value. Marketable investments are carried at quoted market values. Alternative investments (non-traditional, not-readily marketable assets) are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may, in turn, include investments in both marketable and market-traded securities. Fair values of the alternative investments are determined by the investment managers or general partners. Values may be based on historical cost, appraisals or other estimates that require varying degrees of judgement. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses.

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**1. Summary of Significant Accounting Policies (continued)**

***Investments (continued)***

Some of the underlying investments held by the Limited Partnerships in which the Church has an equity interest are in privately held companies. The fair value of those investments has been estimated by the General Partners (GP) of such Limited Partnerships after consideration of current financial conditions and operating results, recent third-party market transactions and other pertinent information about the individual companies comprising such investments. Investments made in such Limited Partnerships are generally considered by their GP to be long-term investments and are not intended to be liquidated on a short-term basis. Accordingly, fair values determined by such GP's may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized.

***Plant Assets***

The Church expenses the cost of plant additions and improvements. During 2007, such costs in the amount of \$363,605 (\$259,433 for 2006) were financed by temporarily restricted and unrestricted net assets as follows:

Unrestricted	
From the Maintenance fund for Church renovation expenses	\$360,769
Temporarily restricted	
From the Watson Hall Maintenance fund for Church improvements	<u>2,836</u>
Total Church Expenses	<u>\$363,605</u>

No provision is made for depreciation in the accompanying financial statements. In lieu of depreciation, a transfer is made from Unrestricted Operating Net Assets each year to Unrestricted Plant Maintenance Net Assets. The amount of the transfer is based on the size of the Church plant compared to other facilities, estimates of likely capital requirements in future years and other factors. In 2007 and 2006, the transfer was \$450,000. Details to all 2007 activity in the Unrestricted Plant Maintenance Net Assets are included in Note 12 and page 19 of the financial statements.

***Tuition and Deferred Tuition***

Tuition revenue includes scholarships, which have been reported as a Day School direct expense. Scholarships included in Day School expenses amounted to \$124,129 and \$204,150 for the years ended December 31, 2007 and 2006.

Deferred tuition consists of Day School tuition received that pertains to the subsequent period.



**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**1. Summary of Significant Accounting Policies** *(continued)*

***Recent Accounting Pronouncement***

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106 and 132(R)* (Statement 158). Statement 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, postretirement benefit plans) to recognize the funded status of their postretirement benefit plans in the statement of financial position, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures.

On December 31, 2007, the Church adopted the recognition and disclosure provisions of Statement 158. The effect of adopting Statement 158 on the Church's financial position at December 31, 2007 has been included in the accompanying statement of financial position. See Note 10 for further discussion of the effect of adopting Statement 158 on the Church's financial statements.

***Presentation of Prior Year Information***

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

**2. Credit Risk Concentration**

The Church places its cash with highly rated financial institutions. At times, cash balances may be in excess of federally insured limits. The Church does not have a material concentration of credit risk with respect to accounts receivable.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments (other than alternative investments) represent a significant concentration of market risk.

**3. Note Receivable**

The note receivable in Unrestricted Quasi-Endowment consist of a five percent secured note from a current employee due December 2014.

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**4. Promises to Give Receivable**

Promises to give receivable, which include the annual Stewardship, the 2004 Capital Campaign and the Day School Capital Campaign pledges at December 31, 2007, discounted to fair value using a discount rate of 4.25 percent are summarized as follows:

Scheduled Collection Date by Year	Future Value of Promise	Discount	Present Value of Promise
2008	\$2,097,184	\$ -	\$2,097,184
2009	285,177	(11,626)	273,551
2010	84,668	(6,763)	77,905
2011	10,000	(1,174)	8,826
	<u>\$2,477,029</u>	<u>\$(19,563)</u>	<u>2,457,466</u>
Allowance for doubtful accounts			<u>(74,311)</u>
			<u>\$2,383,155</u>

**5. Pooled Funds**

The Church follows the policy of pooling its invested funds. Investment income and capital appreciation are allocated quarterly based upon a sharing percentage adjusted for additions to and withdrawals from the pooled fund. Each participating fund is allocated a percentage of the total pooled funds according to the fair value of its interest at the beginning of the quarter.

At December 31, 2007, the pooling group consisted of the following:

	Fair Value	Sharing Percentage
Unrestricted Operating	\$ 986,297	3.04%
Unrestricted Quasi-Endowment	13,865,459	42.77%
Unrestricted Plant	3,118,997	9.62%
Temporarily Restricted	12,840,953	39.61%
Permanently Restricted	1,608,724	4.96%
	<u>\$32,420,430</u>	<u>100.00%</u>

Assets underlying the pooled group consisted of the following at December 31:

Investments	\$32,050,532
Note receivable	369,898
Total Pooled Assets	<u>\$32,420,430</u>

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**6. Investments and Investment Return**

***Investments***

Investments consisted of the following at December 31:

	<u>2007</u>		<u>2006</u>	
	<u>Fair Value</u>	<u>Percentage of Total</u>	<u>Fair Value</u>	<u>Percentage of Total</u>
Cash and equivalents	\$ 728,198	2.26%	\$ 1,014,829	3.49%
Fixed income securities	6,562,616	20.37%	5,146,232	17.70%
Equity securities	14,829,432	46.04%	23,095,059	78.81%
Alternative investments				
Hedge funds	6,908,669	21.44%	-	-
Fund of funds	2,968,187	9.21%	-	-
Private equity	<u>219,905</u>	<u>.68%</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$32,217,007</u>	<u>100.00%</u>	<u>\$29,256,120</u>	<u>100.00%</u>

Investments underlying the pooled funds totaled \$32,050,532 at December 31, 2007. Investments not part of pooled assets include an investment of IBM stock donated to support the maintenance of Watson Hall at a fair value of \$166,475.

At December 31, 2007, under the terms of the private equity agreements, the Church is obligated to fund a remaining commitment of \$1,736,293. Additionally the Church's investment of \$2,968,187 in the fund of funds is subject to a three year lockup such that shares may not be redeemed until the first quarter-end that falls at least three years from the purchase date of July 1, 2007.

***Investment Return***

Investment return for the year ended December 31 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Interest and dividends, net	\$ 480,578	\$ 562,707
Net realized gains on sale of investments	5,485,142	598,708
Net unrealized gains on investments	<u>(3,007,190)</u>	<u>1,151,205</u>
	<u>\$ 2,958,530</u>	<u>\$2,312,620</u>
Operating investment income consists of:		
Budgetary allocation of investment income	\$ 887,451	\$ 969,060
Investment income on restricted funds	<u>1,279,895</u>	<u>961,205</u>
Operating Allocated Investment Income	2,167,346	1,930,265
Nonoperating investment income	<u>791,184</u>	<u>382,355</u>
	<u>\$2,958,530</u>	<u>\$2,312,620</u>

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**6. Investments and Investment Return (continued)**

*Investment Return (continued)*

Investment income is reported net of investment advisory and custody fees. Investment advisory and custodial fees, which totaled \$81,973 in 2007 and \$61,656 in 2006, are allocated to each pooled fund consistent with the allocation of investment income.

**7. Investment in Plant**

The Church's land, building, furniture and equipment are carried at a nominal value of one dollar. The Church's interests in two cooperative apartments and a condominium are carried at cost. The Church buildings and contents were, for insurance purposes, valued at approximately \$27,700,000 at December 31, 2007.

**8. Deferred Compensation**

Pursuant to an agreement with a former employee, the Church had deferred a portion of the employee's compensation to be paid after the employee's retirement. Such deferred compensation amounted to \$121,163 and \$138,226 at December 31, 2007 and 2006. The deferred compensation is included within other liabilities.

**9. Temporarily and Permanently Restricted Net Assets**

*Temporarily Restricted Net Assets*

Temporarily restricted net assets as of December 31, 2007 are available for the following purposes or periods:

Restricted as to period

Contributions and promises to give received for 2008	\$ 1,732,129
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Restricted as to purpose

Ministry of music	1,911,722
Day School	6,413,645
Christian education	156,002
Benevolence	1,927,794
Building fund	1,805,247
Capital Campaign	598,943
Operation and maintenance of plant	<u>2,063,135</u>

Total	<u>\$16,608,617</u>
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**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**9. Temporarily and Permanently Restricted Net Assets (continued)**

***Temporarily Restricted Net Assets (continued)***

Net assets released from restrictions during 2007 represent contributions and promises to give received in 2006 for 2007 and revenue from various restricted funds expended during the year as follows:

	<u>Expenses Funded from Operations</u>	<u>Net Assets Released from Restrictions</u>	<u>Total Unrestricted Operating Expenses</u>
Pastoral	\$648,296	\$ -	\$ 648,296
Ministry of music	288,942	91,944	380,886
Day School	1,760,138	710,953	2,471,091
Christian education	97,605	38,424	136,029
Denominational assessment	75,163	-	75,163
Benevolence	402,030	461,979	864,009
Administration	1,149,951	-	1,149,951
Operation and maintenance of plant	1,037,841	2,836	1,040,677
Uncollectible Stewardship Campaign pledges	<u>10,359</u>	<u>-</u>	<u>10,359</u>
Total	<u>\$5,470,325</u>	\$1,306,136	<u>\$6,776,461</u>
Stewardship contributions and promises to give received in 2006 for 2007		<u>1,717,642</u>	
Total Net Assets Released from Restrictions		<u>\$3,023,778</u>	

***Permanently Restricted Net Assets***

Permanently restricted net assets as of December 31, 2007 represent original gifts that have been restricted by the donor in perpetuity, the income from which is expendable to support:

Ministry of music	\$ 70,000
Benevolence	219,205
Seminary education	867,353
Operation and maintenance of plant	452,166
Operations - from beneficial interest in Holden Trust	<u>1,299,468</u>
	<u>\$2,908,192</u>

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**9. Temporarily and Permanently Restricted Net Assets (*continued*)**

***Beneficial Interest in Holden Trust***

Edith Holden, who died on January 4, 1967, established in 1965 a separate trust fund with \$300,000 and designated the Church to receive, in perpetuity, the income generated by the trust.

**10. Pension Commitments**

The Church had a defined benefit pension plan covering eligible lay employees at December 31, 2006. Effective December 31, 2007, the Plan was curtailed with all participants becoming 100% vested in their benefits. The effects of such curtailment were considered in actuarial computations in 2007. As a result of the curtailment, all benefits were frozen.

Effective December 31, 2007, the Church adopted the recognition and disclosure provisions of Statement 158. Statement 158 required the Church to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its retiree pension plan in the December 31, 2007 statement of financial position, with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represents the net unrecognized actuarial losses and unrecognized prior service cost remaining from the initial adoption of Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (Statement 87). Such unrecognized costs were substantially offset by the aforementioned curtailment gain. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost subject to the provisions of FASB Statement No. 87.

The incremental effects of adopting the provisions of Statement 158 and the curtailment of the plan on the Church's statement of financial position at December 31, 2007 totaled approximately \$20,820 and are disclosed later in this note as amounts not yet recognized as periodic costs.

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**10. Pension Commitments (continued)**

The funded status of the Plan as of December 31, is as follows:

	<u>2007</u>	<u>2006</u>
<i>Projected benefit obligation</i>		
Benefit obligation at January 1	\$ 1,956,784	1,630,064
Service cost	127,280	108,510
Interest cost	104,048	82,428
Actuarial (gain) loss	(68,494)	135,782
Benefit payments	(112,418)	-
Decrease due to plan curtailment	<u>(564,956)</u>	<u>-</u>
Benefit obligation at December 31	1,442,244	1,956,784
Fair value of plan assets at December 31	<u>1,169,203</u>	<u>1,267,016</u>
Status at December 31	<u>\$ (273,041)</u>	<u>\$ (689,768)</u>
Accumulated benefit obligation at December 31	<u>\$ 1,442,244</u>	<u>\$ 1,375,221</u>

The table below summarizes the impact of adopting Statement 158:

	Before Application of FASB 158	Adjustments	After Recognition of FASB 158
Liabilities from pensions	\$ 260,418	\$ 12,623	\$ 273,041
Other changes in net assets	605,644	584,824	20,820
Minimum pension liability	273,041	(273,041)	-

The following table provides the components of the net periodic benefit cost for the Church for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Service cost	\$ 127,280	\$ 108,510
Interest cost	104,048	82,428
Expected return on plan assets	(83,966)	(75,653)
Amortization of prior service cost/credit	(493)	(493)
Amortization of (gain)/loss	47,964	37,192
Effect of special events	<u>(952)</u>	<u>-</u>
Net Periodic Benefit Cost	<u>\$ 193,881</u>	<u>\$ 151,984</u>

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**10. Pension Commitments (continued)**

Weighted-average assumptions used to determine the benefit obligations at December 31 are as follows:

	<u>2007</u>	<u>2006</u>
Discount rate	5.75%	5.50%
Rate of compensation increase	5.10%	5.10%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 are as follows (measured at October 1):

	<u>2007</u>	<u>2006</u>
Discount rate	5.50%	5.25%
Expected long-rate of return on plan assets	6.50%	6.50%
Rate of compensation increase	5.10%	4.10%

Historical returns of multiple asset classes were analyzed to develop a risk free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

*Contributions:* The Church does not expect to make contributions to the Plan in 2008.

*Expected Future Benefit Payments:* The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2008	\$ 120,000
2009	-
2010	-
2011	210,000
2012	-
Years 2013-2017	1,040,000



**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**10. Pension Commitments (continued)**

*Plan Assets*

The Church's pension plan weighted average asset allocations at December 31, by asset category, are as follows:

<u>Asset Category</u>	<u>2007</u>	<u>2006</u>
Equity securities	24%	19%
Debt securities	76%	81%
Total	<u>100%</u>	<u>100%</u>

The Plan's assets are held in trust by the Principal Financial Group and are comprised of debt securities in Principal Financial Group's general account and Principal Financial Group common stock in a segregated account.

***Defined Contribution Plan***

Day school employees participate in a cafeteria benefit plan, which was instituted in 2004. For employees who use cafeteria benefits for health insurance, the Day School contributes an additional three percent of salary to ensure that each Day School employee has a minimum of five percent of regular salary contributed to the defined contribution plan. The defined contribution plan expense totaled \$17,644 in 2007 and \$13,832 in 2006.

***Other Retirement Commitments***

The clergy are covered under a separate retirement arrangement administered by the Board of Pensions of the Presbyterian Church. Contributions based on 12% of monthly-defined compensation are immediately vested and provide monthly benefits upon retirement. Church expense for clergy pension plan amounted to \$48,639 in 2007 and \$48,907 in 2006.

The Church offers a 403(b) salary reduction annuity plan, which may commence on the date of employment. The Church does not contribute to this plan.

**The Corporation of The Brick Presbyterian Church  
in the City of New York**

Notes to Financial Statements

**11. Net Change in Operating Assets and Liabilities**

The net change in operating assets and liabilities reported for cash flow purposes consisted of the following for the years ended December 31, 2007 and 2006:

	2007	2006
Decrease (increase) in:		
Accounts receivable	\$ (67,383)	\$ 23,093
Promises to give receivable	652,962	(1,049,894)
Accrued interest receivable	33,707	36,200
Prepaid expenses	2,045	193,444
Other assets	8,223	(5,848)
Increase (decrease) in:		
Accrued pension cost	273,041	-
Minimum pension liability	(99,980)	-
Accounts payable and accrued expenses	41,830	(139,628)
Other liabilities	(17,508)	(47,299)
Deferred tuition	140,577	37,224
	<u>\$967,514</u>	<u>\$ (952,708)</u>

**12. Interfund Transfers**

The following interfund transfers were made during the year ended December 31, 2007:

- a) a transfer of \$450,000 from Operating to Unrestricted Plant Maintenance to provide for future capital replacements.
- b) a transfer of \$22,006 from Unrestricted Quasi-Endowment to Operating to cover Endowment 2000 costs.
- c) a transfer of \$360,769 from Unrestricted Plant Maintenance to Operating to cover costs of the renovation of the Church and organ expense.
- d) a transfer of \$887,451 from Unrestricted Quasi-Endowment and Plant Maintenance to Operating pursuant to the Church's spending rate policy.
- e) a transfer of \$121,506 from Operating to Unrestricted Quasi-Endowment to replenish the unrestricted quasi-endowment fund.
- f) a transfer of \$10,000 from Women's Association to Operating to cover operating expenses.

## Supplementary Information

**The Corporation of the Brick Presbyterian Church  
in the City of New York**

Schedule of Financial Position by Asset Class

December 31, 2007

(With summarized totals at December 31, 2006)

	Unrestricted					Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
	Operating	Quasi- Endowment	Plant	Women's Association	Total				
<b>ASSETS</b>									
Cash and cash equivalents	\$ 842,790	\$ -	\$ -	\$ 233,419	\$ 1,076,209	\$ 1,458,308	\$ -	\$ 2,534,517	\$ 1,658,120
Accounts receivable	146,390	-	-	-	146,390	-	-	146,390	79,007
Note receivable	-	369,898	-	-	369,898	-	-	369,898	371,716
Investments	981,140	13,495,561	3,118,997	-	17,595,698	13,012,585	1,608,724	32,217,007	29,256,120
Accrued interest receivable	-	-	-	-	-	-	-	-	33,707
Prepaid expenses and other assets	20,362	-	-	-	20,362	-	-	20,362	30,630
Promises to give receivable, net	245,431	-	-	-	245,431	2,137,724	-	2,383,155	3,046,476
Land, buildings, furniture and equipment	-	-	1	-	1	-	-	1	1
Manses	-	-	449,996	-	449,996	-	-	449,996	449,996
Beneficial interest in perpetual trust	-	-	-	-	-	-	1,299,468	1,299,468	1,267,317
	<u>\$ 2,236,113</u>	<u>\$ 13,865,459</u>	<u>\$ 3,568,994</u>	<u>\$ 233,419</u>	<u>\$ 19,903,985</u>	<u>\$ 16,608,617</u>	<u>\$ 2,908,192</u>	<u>\$ 39,420,794</u>	<u>\$ 36,193,090</u>
<b>LIABILITIES AND NET ASSETS</b>									
Current liabilities									
Accounts payable and accrued expenses	\$ 132,255	\$ -	\$ -	\$ -	\$ 132,255	\$ -	\$ -	\$ 132,255	\$ 111,245
Other liabilities	196,555	-	-	-	196,555	-	-	196,555	214,063
Accrued pension plan cost	273,041	-	-	-	273,041	-	-	273,041	-
Minimum pension liability	-	-	-	-	-	-	-	-	99,980
Deferred tuition	1,160,464	-	-	-	1,160,464	-	-	1,160,464	1,019,887
Total Liabilities	<u>1,762,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,762,315</u>	<u>-</u>	<u>-</u>	<u>1,762,315</u>	<u>1,445,175</u>
Net assets	<u>473,798</u>	<u>13,865,459</u>	<u>3,568,994</u>	<u>233,419</u>	<u>18,141,670</u>	<u>16,608,617</u>	<u>2,908,192</u>	<u>37,658,479</u>	<u>34,747,915</u>
	<u>\$ 2,236,113</u>	<u>\$ 13,865,459</u>	<u>\$ 3,568,994</u>	<u>\$ 233,419</u>	<u>\$ 19,903,985</u>	<u>\$ 16,608,617</u>	<u>\$ 2,908,192</u>	<u>\$ 39,420,794</u>	<u>\$ 36,193,090</u>

See independent auditors' report

**The Corporation of the Brick Presbyterian Church  
in the City of New York**

Schedule of Unrestricted Net Assets

Year Ended December 31, 2007

(With summarized totals for the year ended December 31, 2006)

	<u>Operating</u>	<u>Quasi- Endowment</u>	<u>Plant</u>	<u>Women's Association</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>OPERATING REVENUE</b>						
Contributions and gifts	\$ 1,040,785	\$ 39,000	\$ -	\$ 35,550	\$ 1,115,335	\$ 666,028
Allocated investment income	887,451	-	-	-	887,451	969,060
Income from perpetual trust	34,219	-	-	-	34,219	31,836
Day School tuition and fees	2,383,537	-	-	-	2,383,537	1,967,840
Brick Church Fair income, net of direct expenses of \$224,902 and \$205,380	-	-	-	187,879	187,879	175,512
Interest and other income	83,133	-	-	-	83,133	48,466
Net assets released from restrictions						
Stewardship	1,717,642	-	-	-	1,717,642	1,538,391
Capital campaign	339,182	-	-	-	339,182	688,000
Other	966,954	-	-	-	966,954	949,660
Total Operating Revenue	<u>7,452,903</u>	<u>39,000</u>	<u>-</u>	<u>223,429</u>	<u>7,715,332</u>	<u>7,034,793</u>
<b>OPERATING EXPENSES</b>						
Pastoral	648,296	-	-	-	648,296	632,408
Ministry of music	380,886	-	-	-	380,886	366,968
Day School direct expenses	2,471,091	-	-	-	2,471,091	2,137,697
Christian education	136,029	-	-	-	136,029	60,784
Denominational assessment	75,163	-	-	-	75,163	81,596
Benevolence	770,809	-	-	93,200	864,009	1,150,967
Administration	1,048,617	-	-	101,334	1,149,951	1,047,033
Operation and maintenance of plant	1,040,677	-	-	-	1,040,677	978,785
Uncollectible pledges	10,359	-	-	-	10,359	42,941
Total Operating Expenses	<u>6,581,927</u>	<u>-</u>	<u>-</u>	<u>194,534</u>	<u>6,776,461</u>	<u>6,499,179</u>
Excess of Operating Revenue Over Operating Expenses	870,976	39,000	-	28,895	938,871	535,614
<b>NON-OPERATING ACTIVITIES</b>						
Church renovation expenses	(360,769)	-	-	-	(360,769)	(258,205)
Nonoperating investment income	-	656,587	134,597	-	791,184	382,355
Interfund transfers	(178,731)	99,500	89,231	(10,000)	-	-
Changes in Net Asset Before Other Changes	331,476	795,087	223,828	18,895	1,369,286	659,764
<b>OTHER CHANGES IN NET ASSETS</b>						
Minimum pension liability adjustment	-	-	-	-	-	57,732
Effect of adoption of FASB Statement No. 158 net of curtailment gain	<u>20,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,820</u>	<u>-</u>
Change in Net Assets	352,296	795,087	223,828	18,895	1,390,106	717,496
<b>NET ASSETS</b>						
Beginning of year	<u>121,502</u>	<u>13,070,372</u>	<u>3,345,166</u>	<u>214,524</u>	<u>16,751,564</u>	<u>16,034,068</u>
End of year	<u>\$ 473,798</u>	<u>\$ 13,865,459</u>	<u>\$ 3,568,994</u>	<u>\$ 233,419</u>	<u>\$ 18,141,670</u>	<u>\$ 16,751,564</u>

See independent auditors' report

**The Corporation of the Brick Presbyterian Church  
In the City of New York**

Schedule of Changes in Unrestricted Quasi-Endowment and Plant Net Assets

Year ended December 31, 2007

	Quasi-Endowment Net Assets				Plant Net Assets			Total Quasi- Endowment and Plant
	Memorial	Endowment	Endowment 2000	Total	Maintenance	Investment in Plant	Total	
<b>OPERATING REVENUE</b>								
Contributions and gifts	\$ -	\$ 39,000	\$ -	\$ 39,000	\$ -	\$ -	\$ -	\$ 39,000
<b>OTHER CHANGES IN NET ASSETS</b>								
Non-operating investment income	7,865	1,318,932	45,923	1,372,720	305,915	-	305,915	1,678,635
Interfund transfers								
To finance Church renovation expenses	-	-	-	-	(360,769)	-	(360,769)	(360,769)
To provide for future capital replacements	-	-	-	-	450,000	-	450,000	450,000
To finance Memorial and Endowment 2000 cost	-	-	(22,006)	(22,006)	-	-	-	(22,006)
To replenish the endowment	-	121,506	-	121,506	-	-	-	121,506
To finance operations	(13,313)	(702,820)	-	(716,133)	(171,318)	-	(171,318)	(887,451)
Change in Net Assets	(5,448)	776,618	23,917	795,087	223,828	-	223,828	1,018,915
<b>NET ASSETS</b>								
Beginning of year	78,440	12,542,418	449,514	13,070,372	2,895,169	449,997	3,345,166	16,415,538
End of year	\$ 72,992	\$ 13,319,036	\$ 473,431	\$ 13,865,459	\$ 3,118,997	\$ 449,997	\$ 3,568,994	\$ 17,434,453

See independent auditors' report

**The Corporation of the Brick Presbyterian Church  
in the City of New York**

Schedule of Changes in Temporarily and Permanently Restricted Net Assets

Year Ended December 31, 2007

	Contributions Gifts, Auction and Bequests	Investment Income	Net Assets Released from Restrictions	Change in Beneficial Interest in Perpetual Trust	Change in Net Assets	Net Assets, Beginning of Year	Net Assets, End of Year	Temporarily Restricted	Permanently Restricted
Special Organ Fund	\$ -	\$ 11,343	\$ -	\$ -	\$ 11,343	\$ 108,147	\$ 119,490	\$ 119,490	\$ -
Helen W. Buckner Scholarship	-	21,452	-	-	21,452	224,437	245,889	245,889	-
Day School Special	185,405	112,762	(542,198)	-	(244,031)	1,490,319	1,246,288	1,246,288	-
Day School Retirement	7,750	6,594	(11,193)	-	3,151	125,695	128,846	128,846	-
Day School Teachers Salaries	1,141,654	52,822	-	-	1,194,476	1,858,080	3,052,556	3,052,556	-
Day School Cultural Fund	28,348	2,255	(28,960)	-	1,643	18,122	19,765	19,765	-
Paul Wolfe Memorial	11,250	146,084	(66,957)	-	90,377	1,389,882	1,480,259	1,480,259	-
Guest Speakers	-	9,867	(5,664)	-	4,203	95,503	99,706	99,706	-
Designated Benevolence	12,000	-	-	-	12,000	-	12,000	12,000	-
Ladies Helping Hand	-	33,443	(16,796)	-	16,647	322,165	338,812	338,812	-
Merrill Fund	-	183,244	(91,944)	-	91,300	1,770,932	1,862,232	1,792,232	70,000
Colin Reed Trust	-	2,884	(1,620)	-	1,264	28,617	29,881	24,881	5,000
Watson Hall Maintenance	-	224,716	(2,836)	-	221,880	2,293,421	2,515,301	2,063,135	452,166
Church Outreach	-	96,774	(49,215)	-	47,559	949,231	996,790	875,840	120,950
Sick Children's Aid	-	22,182	(7,000)	-	15,182	215,459	230,641	194,400	36,241
Whitfield Beadleston	-	2,179	-	-	2,179	22,481	24,660	14,660	10,000
Church of the Covenant	-	15,051	(6,000)	-	9,051	147,656	156,707	109,693	47,014
Clifford Seminary Fund	-	95,822	(42,166)	-	53,656	925,316	978,972	111,619	867,353
Holden Trust Beneficial Interest	-	-	-	32,151	32,151	1,267,317	1,299,468	-	1,299,468
Spinelli Fund for Professional Development	6,401	28,846	(61,645)	-	(26,398)	344,711	318,313	318,313	-
Building Fund	-	171,371	-	-	171,371	1,633,876	1,805,247	1,805,247	-
Womens Association Scholarship Fund	-	18,530	-	-	18,530	149,088	167,618	167,618	-
Christian Ed Housing	87,180	1,876	(32,760)	-	56,296	-	56,296	56,296	-
Capital Campaign	20,073	19,798	(339,182)	-	(299,311)	898,254	598,943	598,943	-
Time Restricted Stewardship Contributions	1,732,129	-	(1,717,642)	-	14,487	1,717,642	1,732,129	1,732,129	-
	<u>\$ 3,232,190</u>	<u>\$ 1,279,895</u>	<u>\$ (3,023,778)</u>	<u>\$ 32,151</u>	<u>\$ 1,520,458</u>	<u>\$ 17,996,351</u>	<u>\$ 19,516,809</u>	<u>\$ 16,608,617</u>	<u>\$ 2,908,192</u>

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