

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

Financial Statements

December 31, 2017

## 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 financial statements of The Corporation of The Brick Presbyterian Church In the City of New York (the "Church") which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 qualified audit opinion.

#### ***Basis for Qualified Opinion***

As discussed in Note 1, the Church does not capitalize acquisitions of, or improvements to, buildings, furniture, and equipment, except for the original cost of the Church's manses. Manses, although capitalized, were not depreciated over their expected useful lives. Accounting principles generally accepted 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 is not determinable.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion 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 as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules on pages 20 through 23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Report on Summarized Comparative Information***

We have previously audited The Corporation of The Brick Presbyterian Church In the City of New York's December 31, 2016 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated April 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

April 13, 2018

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

Statement of Financial Position  
December 31, 2017  
(with comparative amounts at December 31, 2016)

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,979,177	\$ 2,801,311
Accounts receivable	49,280	-
Prepaid expenses and other assets	87,409	136,327
Promises to give receivable, net	1,674,765	1,506,467
Capital campaign pledges receivable, net	5,990,423	7,258,121
Note receivable	360,000	360,000
Investments	45,613,927	40,530,699
Restricted investments	2,254,458	2,104,258
Beneficial interest in perpetual trusts	1,502,019	1,359,843
Land, buildings, furniture and equipment	1	1
Manses	449,996	449,996
	\$ 59,961,455	\$ 56,507,023
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 324,185	\$ 163,344
Other liabilities	332,595	280,883
Deferred tuition	2,031,166	2,000,533
Total Liabilities	2,687,946	2,444,760
 Net Assets		
Unrestricted (deficit)		
Operating	(81,188)	128,177
Quasi-endowment	16,646,098	14,982,716
Plant	3,234,688	3,236,054
Total Unrestricted	19,799,598	18,346,947
Temporarily restricted	33,397,634	31,881,215
Permanently restricted	4,076,277	3,834,101
Total Net Assets	57,273,509	54,062,263
	\$ 59,961,455	\$ 56,507,023

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, 2017  
(with summarized totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>OPERATING SUPPORT AND REVENUE</b>					
Contributions and gifts	\$ 684,603	\$ 3,574,912	\$ -	\$ 4,259,515	\$ 4,225,883
Capital campaign	-	586,972	100,000	686,972	8,003,031
Day School tuition and fees, including financial aid of \$538,973 and \$491,008	4,402,392	-	-	4,402,392	4,189,419
Brick Church Fair income, net of direct expenses of \$106,389 and \$142,905	167,911	-	-	167,911	22,637
Program revenue	99,547	-	-	99,547	99,929
Allocated investment return	908,599	3,095,218	-	4,003,817	2,530,099
Income from perpetual trust	28,827	-	-	28,827	104,163
Interest and other income	20,343	-	-	20,343	7,540
Net Assets Released From Restrictions					
Stewardship	1,893,731	(1,893,731)	-	-	-
Other specific donor purposes	2,055,508	(2,055,508)	-	-	-
Total Operating Support and Revenue	10,261,461	3,307,863	100,000	13,669,324	19,182,701
<b>OPERATING EXPENSES</b>					
Pastoral	1,214,061	-	-	1,214,061	1,163,149
Ministry of music	460,103	-	-	460,103	434,520
Day School direct expenses	4,564,162	-	-	4,564,162	4,315,300
Summer Steps	238,101	-	-	238,101	204,750
Christian education	99,215	-	-	99,215	98,443
Denominational assessment	37,500	-	-	37,500	62,500
Benevolence	427,877	-	-	427,877	482,970
Operation and maintenance of plant	1,269,815	-	-	1,269,815	1,174,049
Administration	1,479,277	-	-	1,479,277	1,368,242
Fundraising	110,238	-	-	110,238	267,726
Uncollectible promises to give	40,562	-	-	40,562	15,870
Total Operating Expenses	9,940,911	-	-	9,940,911	9,587,519
Excess of Operating Support and Revenue Over Operating Expenses	320,550	3,307,863	100,000	3,728,413	9,595,182
<b>NON-OPERATING ACTIVITIES</b>					
Valuation adjustment	-	(40,482)	-	(40,482)	(489,482)
Church maintenance expenses	(2,400,692)	-	-	(2,400,692)	(904,332)
Non-operating investment return	1,781,831	-	-	1,781,831	581,363
Net assets released from restrictions for capital improvements	1,750,962	(1,750,962)	-	-	-
Change in beneficial interest in perpetual trusts	-	-	142,176	142,176	(22,579)
Change in Net Assets	1,452,651	1,516,419	242,176	3,211,246	8,760,152
<b>NET ASSETS</b>					
Beginning of year	18,346,947	31,881,215	3,834,101	54,062,263	45,302,111
End of year	\$ 19,799,598	\$ 33,397,634	\$ 4,076,277	\$ 57,273,509	\$ 54,062,263

See notes to financial statements

**The Corporation of The Brick Presbyterian Church  
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Statement of Cash Flows  
Year Ended December 31, 2017  
(with comparative amounts for the year ended December 31, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,211,246	\$ 8,760,152
Adjustments to reconcile change in net assets to net cash from operating activities		
Uncollectible promises to give receivable	40,562	15,870
Valuation adjustment	40,482	489,482
Net realized gains on sales of investments	(901,669)	(290,453)
Appreciation of investments	(4,263,225)	(2,012,562)
Permanently restricted contribution	(100,000)	(650,000)
Change in beneficial interest in perpetual trusts	(142,176)	22,579
Changes in operating assets and liabilities		
Accounts receivable	(49,280)	-
Promises to give receivable	(208,860)	183,242
Capital campaign pledges	1,227,216	(4,570,405)
Prepaid expenses and other assets	48,918	(60,335)
Accounts payable and accrued expenses	160,841	10,284
Other liabilities	51,712	51,017
Deferred tuition	30,633	102,686
Net Cash From Operating Activities	(853,600)	2,051,557
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	6,046,163	1,026,759
Purchase of investments	(4,864,302)	(1,322,218)
Restricted investments	(150,200)	(280,000)
Net change in money market investments	(1,100,195)	(759,671)
Net Cash From Investing Activities	(68,534)	(1,335,130)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from permanently restricted contribution	100,000	650,000
Net Change in Cash and Cash Equivalents	(822,134)	1,366,427
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,801,311	1,434,884
End of year	\$ 1,979,177	\$ 2,801,311

See notes to financial statements

**The Corporation of The Brick Presbyterian Church  
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Notes to Financial Statements  
December 31, 2017

**1. Organization and Tax Status**

The Corporation of The Brick Presbyterian Church In the City of New York (the "Church"), founded in 1767, is a congregation of Christians in the largely secular world of New York City. The Church maintains a day school, the operations of which are included in the accompanying financial statements.

As a religious organization, the Church is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except that acquisitions and improvements to buildings, furniture and equipment are expensed and no provision is made for depreciation. U.S. GAAP requires such acquisitions and improvements be capitalized and depreciated over their estimated useful lives. The Church has recorded the original cost of its Manses and a nominal amount for land, buildings, and furniture and equipment. U.S. GAAP requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

***Cash and Cash Equivalents***

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

***Promises to Give Receivable***

Unconditional promises to give 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.

***Capital Campaign Pledges Receivable***

The Church has undertaken a capital campaign to support improvements to its facilities, increase community benevolence programs, and enhancement of its endowment. Pledges are recorded as they are received, and an estimate of uncollectible pledges has been made and included as an offset to the capital campaign pledges receivable. Amounts expected to be received in future years are discounted to present value.

***Investments Valuation***

Investments are carried at fair value.

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

***Fair Value Measurements***

The Church follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Church follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

***Plant Assets***

The Church expenses the cost of additions and improvements. In 2017, such costs for Church renovation expenses in the amount of \$2,400,692 were financed by unrestricted net assets from the Maintenance fund, together with net assets released from restrictions for capital improvements.

A transfer is made from unrestricted operating net assets each year to unrestricted plant maintenance net assets based on the size of the Church plant, estimates of likely capital requirements in future years, and other factors. The transfer was \$280,000 for 2017. Details of the 2017 activity in the Unrestricted Plant Maintenance Net Assets are included in Note 13 of the financial statements.

***Net Assets Presentation***

Unrestricted net assets are not subject to donor-imposed stipulation and may be expended at the discretion of the Church. Included in unrestricted net assets are the board-designated Quasi-Endowment Fund and Plant Fund. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by the actions of the Church or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or removed by the action of the Church.



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December 31, 2017

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

***Deferred Tuition***

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

***Tuition and Fees***

Tuition is earned ratably over the school year. Fees are earned when the related activity takes place.

***Accounting for Uncertainty in Income Taxes***

The Church recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Church had no uncertain tax positions that would require financial statement recognition or disclosure.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 13, 2018.

***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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Church's financial statements for 2016, from which the summarized information was derived.

**3. Credit Risk Concentration**

Certain financial instruments potentially subject the Church to concentrations of credit risk. These financial instruments consist primarily of temporary cash investments, investments and promises to give receivables. The Church places its temporary cash investments and investments with creditworthy, high-quality financial institutions. A significant portion of such investments are not insured by the FDIC or any other entity. Management believes there is a very low risk of loss due to the failure of these institutions. Concentrations of credit risk with respect to promises to give receivables are generally diversified due to the large number of individuals composing the Church's donor base.

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**4. Receivables**

Promises to give receivable at December 31, 2017, discounted to fair value using a discount rate of 3.34%, are summarized as follows:

Scheduled Collection	Value of Promises
2018	\$ 1,778,809
2019	20,000
2020	20,000
2021	20,000
2022	20,000
2023	10,000
Total scheduled collections	1,868,809
Discount on pledge receivable	(6,542)
Allowance for doubtful accounts	(187,502)
Promises to Give Receivable, net	\$ 1,674,765

Capital Campaign pledges receivable at December 31, 2017, discounted to fair value using a discount rate of 3.34%, are summarized as follows:

Scheduled Collection	Value of Pledges
2018	\$ 2,838,936
2019	1,702,179
2020	1,360,559
2021	815,638
2022	80,529
Total scheduled collections	6,797,841
Discount on pledge receivable	(228,016)
Allowance for doubtful accounts	(579,402)
Capital Campaign Pledges Receivable, net	\$ 5,990,423

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Notes to Financial Statements  
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**5. Note Receivable**

The note receivable in unrestricted quasi-endowment consists of a 1.85% note from a retired employee, due in monthly installments on a level debt service basis commencing on January 1, 2018. The employee has a deferred compensation agreement with the Church. Beginning January 1, 2018, the deferred compensation shall be used to repay the note receivable (see Note 9) on a monthly basis.

**6. 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. Additions and withdrawals made to the pooled fund mid-quarter affect the sharing percentage on the first day of the following quarter. 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, 2017, the pooling group, at fair value, consists of the following:

Unrestricted operating	\$ 699,210	1.46%
Unrestricted quasi-Endowment	16,646,098	34.68%
Unrestricted plant	2,784,691	5.80%
Temporarily restricted	25,607,661	53.36%
Permanently restricted	<u>2,254,458</u>	<u>4.70%</u>
	<u>\$ 47,992,118</u>	<u>100.00%</u>

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

Investments	\$ 47,632,118
Note receivable	<u>360,000</u>
Total Pooled Assets	<u>\$ 47,992,118</u>

Pooled funds do not include an investment of IBM stock donated to support the maintenance of Watson Hall with a fair value of \$236,267 at December 31, 2017.

**The Corporation of The Brick Presbyterian Church  
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Notes to Financial Statements  
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**7. Assets Stated at Fair Value**

The following are the classes and major categories of investments and other assets at December 31, 2017 grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Securities				
Technology	\$ 236,267	\$ -	\$ -	\$ 236,267
Mutual Funds				
Domestic large cap equity	10,904,551	-	-	10,904,551
Domestic mid/small cap equity	2,823,890	-	-	2,823,890
International Large Cap Equity	4,572,632	-	-	4,572,632
Emerging markets equity	1,271,872	-	-	1,271,872
Natural resources equity	-	-	-	-
High grade bonds	3,864,002	-	-	3,864,002
Real estate and infrastructure	-	802,796	-	802,796
Floating rate debt	1,205,480	-	-	1,205,480
	<u>24,878,694</u>	<u>802,796</u>	<u>-</u>	<u>25,681,490</u>
Comingled Funds				
Global equity (1)				4,086,732
Emerging markets equity (1)				1,701,037
European equity (1)				1,157,750
Hedge funds (1)				3,489,924
Funds of hedge funds (1)				6,560,332
Private equity (1)				2,899,636
Temporary cash investments - at cost				<u>2,291,485</u>
Total Investments				47,868,385
Beneficial interest in perpetual trusts	-	-	1,502,019	<u>1,502,019</u>
Total Assets at Fair Value	<u>\$ 24,878,694</u>	<u>\$ 802,796</u>	<u>\$ 1,502,019</u>	<u>\$ 49,370,404</u>

(1) As discussed in Note 2, investments that are measured using NAV per share as a practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no transfers between levels of the fair value hierarchy during 2017.

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**7. Assets Stated at Fair Value (continued)**

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during 2017:

	Beneficial Interest in Perpetual Trusts
Balance, beginning	\$ 1,359,843
Total gains or losses (realized/unrealized) included in changes in net assets	142,176
Balance, end of year	\$ 1,502,019

Information regarding alternative investments measured using NAV as a practical expedient at December 31, 2017 is as follows:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge funds (see a. below)	\$ 3,489,924	\$ -	Quarterly - Biennially	65 - 90 days
Funds of hedge funds (see b. below)	6,560,332	-	Annually	75 - 95 days
Comingled Funds (see c. below)				
Global equity	4,086,732	-	Bimonthly	3 days
Emerging markets equity	1,701,037	-	Monthly	10 days
European equity	1,157,750	-	April 2021	90 days
Private equity (see d. below)	2,899,636	1,063,290	N/A	N/A
	\$ 19,895,411	\$ 1,063,290		

a) This category includes investments in hedge funds. One fund invests across the capital structures of U.S. and non-U.S. companies. Management of the hedge fund has the ability to shift investment strategies. The investment in this fund may be redeemed biennial (every second year) subject to 90 days written notice. The other investment in this category is organized to achieve capital appreciation through event-driven investments which seek to exploit situations in which announced or anticipated events create opportunities to invest in securities and other financial instruments at a discount to their exit values, such as distressed funds. The investment in this fund may be redeemed quarterly subject to 65 days written notice. Thirty-one percent of this category is subject to the biennial redemption frequency.

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**7. Assets Stated at Fair Value (continued)**

b) This category includes investments in funds of hedge funds that achieve total return by focusing primarily on U.S. and international long and short equity investment strategies. The investments in this category may be redeemed annually subject to 75-95 days written notice.

c) This category includes investments in comingled funds. One fund is organized primarily to afford participants an opportunity to obtain long-term capital gains and income from a diversified portfolio of mid and smaller capitalization equity securities generally located in emerging market countries. This investment may be redeemed monthly subject to 10 days written notice. The second fund in this category seeks to achieve its investment objective by investing primarily in equity securities listed on global stock exchanges. This investment may be redeemed bimonthly (twice a month) subject to 3 days written notice. The third fund in this category invests in a relatively concentrated portfolio of European equity securities. This investment may be redeemed in full in April 2021 subject to 90 days written notice.

d) This category includes several private equity funds that invest in domestic and foreign private equity investment partnerships. One fund primarily invests in companies undergoing financial distress, operating difficulties and significant restructuring. These investments can never be redeemed with the funds. Instead, it is expected that the investments in this category will be realized as distributions are received from the liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 7 to 11 years.

***Investment Risks and Uncertainties***

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment. Investments are carried at fair value. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

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**7. Assets Stated at Fair Value (continued)**

Investment return for the year ended December 31, 2017 is summarized as follows:

Interest and dividends, net	\$ 620,754
Net realized gains on sale of investments	901,669
Net appreciation of investments	<u>4,263,225</u>
Total investment return	<u><u>\$ 5,785,648</u></u>
Allocated investment return:	
Budgetary allocation of investment income	\$ 908,599
Investment income on restricted funds	<u>3,095,218</u>
	4,003,817
Non-operating investment income	<u>1,781,831</u>
	<u><u>\$ 5,785,648</u></u>

Investment return is reported net of investment advisory and custody fees. Investment advisory fees, which totaled \$66,780 in 2017, are allocated to each pooled fund consistent with the allocation of investment income.

**8. 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 used as manses are carried at cost. The Church buildings and contents were, for insurance purposes, valued at approximately \$52,000,000 at December 31, 2017.

**9. Deferred Compensation**

Pursuant to an agreement with a retired employee, the Church has deferred a portion of the compensation to be paid beginning January 1, 2018. Such deferred compensation amounted to \$276,835 at December 31, 2017. The deferred compensation is included within other liabilities on the statement of financial position. Beginning January 1, 2018, the deferred compensation shall be used to repay the note receivable including interest on a monthly basis as described in Note 5 of the financial statements. Once the deferred compensation is exhausted, the former employee must repay the remaining outstanding balance in accordance with the terms of agreement.

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

***Temporarily Restricted Net Assets***

Temporarily restricted net assets as of December 31, 2017 are available for the following periods and purposes:

Restricted as to Period	
Received for 2018	\$ 1,912,054
Restricted as to Purpose	
Capital Campaign	8,417,043
Day School	7,854,610
Operation and maintenance of plant	3,142,253
Falcone Children, Youth and Family Fund	2,743,811
Building fund	2,505,491
Ministry of music	2,216,222
Benevolence	1,778,579
Seminary education	1,589,914
Summer steps	799,996
Pastoral	342,438
Christian education	95,223
Total	<u>\$ 33,397,634</u>

Net assets released from restrictions during 2017 were for the following donor restricted and time restricted purposes:

	Expenses Funded from Operations	Net Assets Released from Restriction	Unrestricted Operating Expenses
Operating Activities:			
Pastoral	\$ 933,393	\$ 280,668	\$ 1,214,061
Ministry of music	359,621	100,482	460,103
Day School	3,338,139	1,226,023	4,564,162
Summer Steps	-	238,101	238,101
Christian education	91,427	7,788	99,215
Denominational assessment	37,500	-	37,500
Benevolence	336,629	91,248	427,877
Operation and maintenance of plant	1,268,855	960	1,269,815
Administration	1,479,277	-	1,479,277
Fundraising	-	110,238	110,238
Uncollectible pledges	40,562	-	40,562
Total	<u>\$ 7,885,403</u>	<u>2,055,508</u>	<u>\$ 9,940,911</u>
Stewardship contributions and promises to give received in 2016 for 2017		1,893,731	
Non-operating Activities			
Church maintenance expenses		<u>1,750,962</u>	
Total Net Assets Released from Restrictions		<u>\$ 5,700,201</u>	



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

Notes to Financial Statements  
December 31, 2017

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

***Permanently Restricted Net Assets***

Permanently restricted net assets as of December 31, 2017 represent original gifts that have been restricted by donors in perpetuity, the income from which is expendable to support the following:

Ministry of music	\$ 459,531
Benevolence	354,205
Seminary education	5,000
Day school	881,626
Christian education	21,730
Summer Steps	400,000
Operation and maintenance of plant	452,166
Operations support from beneficial interest in trusts	1,502,019
	<u>\$ 4,076,277</u>

***Beneficial Interest in Perpetual Trust***

The Church maintains beneficial interests in certain trusts administered by third parties. Those trusts were valued at \$1,502,019 at December 31, 2017. As these trusts are controlled and invested by independent third parties, the Church records a beneficial interest for its ratable share of the assets based on the fair value of the trusts' underlying assets. Income is recognized as distributions are received from the trusts.

*Beneficial Interest in Holden Trust:* Edith Holden established in 1965 a separate trust fund in the amount of \$300,000. The Church is to receive, in perpetuity, the income generated by the trust.

*Beneficial Interest in Blyden Trust:* Edith Holden established a trust fund to provide distributions of net income to Edward Wilmot Blyden, III and, upon his death, to provide the distributions of net income to the Church in perpetuity. Edward Blyden died on October 10, 2010, at which time the trust had a then current value of \$69,885.

**11. Endowment Funds**

The Church's endowment consists of various individual funds established primarily for the support of the Church and its Day School. Its endowment includes donor-restricted endowment funds as well as board designated endowment funds.

***Interpretation of Relevant Law***

The Board of Trustees has interpreted the New York Prudent Management of Institutional Funds Act as allowing the Church to appropriate for expenditures or accumulate so much of the earnings on the donor-restricted endowment fund as the Church determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donors as expressed in their gift instruments.

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

Notes to Financial Statements  
December 31, 2017

**11. Endowment Funds (continued)**

***Return Objective and Risk Parameters***

The Church utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Target allocation percentages are established for various asset classes and are modified over time, to provide a balance that is intended to enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment category. Performance is measured against a composite benchmark of investment indices reflecting the target asset allocation.

***Spend Rate Policy***

For 2017, the Church followed a policy of budgeting the spending of 5% of the trailing three year average of its restricted and unrestricted endowment funds subject to abiding by the purpose and other restrictions of certain of the funds. The following is a reconciliation of the 2017 investment activity in the donor restricted and unrestricted quasi-endowment funds:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, January 1, 2017	\$ 14,619,992	\$ 8,427,399	\$ 2,104,258	\$ 25,151,649
Contributions	29,421	10,458	150,200	190,079
Transfers	95,574	-	-	95,574
Interest and dividends	201,105	279,178	-	480,283
Capital appreciation	2,085,591	1,626,893	-	3,712,484
Appropriation for expenditure	(748,309)	(448,399)	-	(1,196,708)
Balance, December 31, 2017	<u>\$ 16,283,374</u>	<u>\$ 9,895,529</u>	<u>\$ 2,254,458</u>	<u>\$ 28,433,361</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 9,895,529	\$ 2,254,458	\$ 12,149,987
Board designated funds	16,283,374	-	-	16,283,374
Total Funds	<u>16,283,374</u>	<u>9,895,529</u>	<u>2,254,458</u>	<u>28,433,361</u>
Due from operating funds	<u>2,724</u>	-	-	<u>2,724</u>
Total Funds	<u>\$ 16,286,098</u>	<u>\$ 9,895,529</u>	<u>\$ 2,254,458</u>	<u>\$ 28,436,085</u>

**12. Commitments**

***Defined Contribution Plans***

The Church has a Section 403(b) plan for all eligible full time employees. Plan expense was \$137,539 in 2017.

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

Notes to Financial Statements  
December 31, 2017

**12. Commitments (continued)**

***Defined Contribution Plans (continued)***

Day School employees participate in a cafeteria benefit plan, which allows them early access to matching employer pension contributions if they elect not to participate in the health insurance plan. Pension plan expense totaled \$256,070 in 2017.

***Other Retirement Commitments***

The clergy are covered under a separate retirement arrangement administered by the Board of Pensions of the Presbyterian Church. Contributions are based on 12% of monthly-defined compensation. Clergy are immediately vested and the plan provides for monthly benefits upon retirement. Church expense for the clergy pension plan amounted to \$94,882 in 2017.

***Operating Leases***

The Church is obligated under noncancelable operating leases for its manse property and office equipment expiring at various dates through November 2022. Total lease expense for the year ended December 31, 2017 amounted to \$99,468. At December 31, 2017, the aggregate minimum annual rental commitments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 76,247
2019	14,087
2020	9,952
2021	8,573
2022	<u>7,859</u>
	<u>\$ 100,287</u>

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

Notes to Financial Statements  
December 31, 2017

**13. Interfund Transfers**

The following interfund transfers were made during the year ended December 31, 2017:

- a) A transfer of \$280,000 from Operating to Unrestricted Plant Maintenance to provide for future capital replacements.
- b) A transfer of \$40,000 from Unrestricted Quasi-Endowment to Operating to cover Endowment 2000 costs.
- c) A transfer of \$54,206 from Unrestricted Quasi-Endowment to Operating to cover memorial cost.
- d) A transfer of \$524,811 from Unrestricted Plant Maintenance to Operating to cover costs of Church maintenance.
- e) A transfer of \$908,599 from Unrestricted Quasi-Endowment and Unrestricted Plant Maintenance to Operating pursuant to the Church's spending rate policy.
- f) A transfer of \$61,603 from the Women's Association surplus to the Unrestricted Quasi-Endowment Women's Association.
- g) A transfer of \$128,177 from the 2016 operating surplus to the Unrestricted Quasi-Endowment.

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

Supplementary Information

December 31, 2017

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

Schedule of Financial Position by Fund  
December 31, 2017  
(with summarized totals at December 31, 2016)

	Unrestricted				Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total	
	Operating	Quasi- Endowment	Plant	Women's Association					Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,641,465	\$ -	\$ -	\$ -	\$ 1,641,465	\$ 337,712	\$ -	\$ 1,979,177	\$ 2,801,311
Accounts receivable	49,280	-	-	-	49,280	-	-	49,280	-
Prepaid expenses and other assets	87,409	-	-	-	87,409	-	-	87,409	136,327
Promises to give receivable, net	129,394	-	-	-	129,394	1,545,371	-	1,674,765	1,506,467
Capital campaign pledges receivable, net	-	-	-	-	-	5,670,623	319,800	5,990,423	7,258,121
Note receivable	-	360,000	-	-	360,000	-	-	360,000	360,000
Investments	699,210	16,286,098	2,784,691	-	19,769,999	25,843,928	-	45,613,927	40,530,699
Restricted investments	-	-	-	-	-	-	2,254,458	2,254,458	2,104,258
Beneficial interest in perpetual trusts	-	-	-	-	-	-	1,502,019	1,502,019	1,359,843
Land, buildings, furniture and equipment	-	-	1	-	1	-	-	1	1
Manses	-	-	449,996	-	449,996	-	-	449,996	449,996
	<u>\$ 2,606,758</u>	<u>\$16,646,098</u>	<u>\$3,234,688</u>	<u>\$ -</u>	<u>\$22,487,544</u>	<u>\$33,397,634</u>	<u>\$ 4,076,277</u>	<u>\$ 59,961,455</u>	<u>\$ 56,507,023</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 324,185	\$ -	\$ -	\$ -	\$ 324,185	\$ -	\$ -	\$ 324,185	\$ 163,344
Other liabilities	332,595	-	-	-	332,595	-	-	332,595	280,883
Deferred tuition	2,031,166	-	-	-	2,031,166	-	-	2,031,166	2,000,533
Total Liabilities	<u>2,687,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,687,946</u>	<u>-</u>	<u>-</u>	<u>2,687,946</u>	<u>2,444,760</u>
Net assets (deficit)	<u>(81,188)</u>	<u>16,646,098</u>	<u>3,234,688</u>	<u>-</u>	<u>19,799,598</u>	<u>33,397,634</u>	<u>4,076,277</u>	<u>57,273,509</u>	<u>54,062,263</u>
	<u>\$ 2,606,758</u>	<u>\$16,646,098</u>	<u>\$3,234,688</u>	<u>\$ -</u>	<u>\$22,487,544</u>	<u>\$33,397,634</u>	<u>\$ 4,076,277</u>	<u>\$ 59,961,455</u>	<u>\$ 56,507,023</u>

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

Schedule of Change in Unrestricted Net Assets by Fund  
Year Ended December 31, 2017  
(with summarized totals for the year ended December 31, 2016)

	Operating	Quasi- Endowment	Plant	Women's Association	2017 Total	2016 Total
<b>OPERATING SUPPORT AND REVENUE</b>						
Contributions and gifts	\$ 602,930	\$ 29,422	\$ -	\$ 52,251	\$ 684,603	\$ 1,091,429
Day School tuition and fees, including financial aid of \$538,973 and \$491,008	4,402,392	-	-	-	4,402,392	4,189,419
Brick Church Fair income, net of direct expenses of \$106,389 and \$142,905	-	-	-	167,911	167,911	22,637
Program revenue	99,547	-	-	-	99,547	99,929
Allocated investment return	908,599	-	-	-	908,599	883,627
Income from perpetual trust	28,827	-	-	-	28,827	104,163
Interest and other income	20,343	-	-	-	20,343	7,540
Net Assets Released From Restrictions						
Stewardship	1,893,731	-	-	-	1,893,731	2,212,984
Other specific donor purposes	2,043,905	-	-	11,603	2,055,508	1,845,958
Total Operating Support and Revenue	<u>10,000,274</u>	<u>29,422</u>	<u>-</u>	<u>231,765</u>	<u>10,261,461</u>	<u>10,457,686</u>
<b>OPERATING EXPENSES</b>						
Pastoral	1,214,061	-	-	-	1,214,061	1,163,149
Ministry of music	460,103	-	-	-	460,103	434,520
Day School direct expenses	4,564,162	-	-	-	4,564,162	4,315,300
Summer Steps	238,101	-	-	-	238,101	204,750
Christian education	99,215	-	-	-	99,215	98,443
Denominational assessment	37,500	-	-	-	37,500	62,500
Benevolence	388,877	-	-	39,000	427,877	482,970
Operation and maintenance of plant	1,269,815	-	-	-	1,269,815	1,174,049
Administration	1,348,115	-	-	131,162	1,479,277	1,368,242
Fundraising	110,238	-	-	-	110,238	267,726
Uncollectible promises to give	40,562	-	-	-	40,562	15,870
Total Operating Expenses	<u>9,770,749</u>	<u>-</u>	<u>-</u>	<u>170,162</u>	<u>9,940,911</u>	<u>9,587,519</u>
Excess of Operating Support and Revenue Over Operating Expenses	229,525	29,422	-	61,603	320,550	870,167
<b>NON-OPERATING ACTIVITIES</b>						
Church maintenance expenses	(2,400,692)	-	-	-	(2,400,692)	(904,332)
Non-operating investment return	-	1,538,386	243,445	-	1,781,831	581,363
Net assets released from restrictions for capital improvements	1,750,962	-	-	-	1,750,962	431,191
Interfund transfers	210,840	95,574	(244,811)	(61,603)	-	-
Change in Net Assets	<u>(209,365)</u>	<u>1,663,382</u>	<u>(1,366)</u>	<u>-</u>	<u>1,452,651</u>	<u>978,389</u>
<b>NET ASSETS (DEFICIT)</b>						
Beginning of year	<u>128,177</u>	<u>14,982,716</u>	<u>3,236,054</u>	<u>-</u>	<u>18,346,947</u>	<u>17,368,558</u>
End of year	<u>\$ (81,188)</u>	<u>\$ 16,646,098</u>	<u>\$ 3,234,688</u>	<u>\$ -</u>	<u>\$ 19,799,598</u>	<u>\$ 18,346,947</u>

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**The Corporation of The Brick Presbyterian Church  
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Schedule of Changes in Unrestricted Quasi-Endowment and Plant Net Assets  
Year Ended December 31, 2017

	Quasi-Endowment Net Assets					Plant Net Assets			Total Quasi- Endowment and Plant
	Memorial	Endowment	Endowment 2000	Women's Association	Total	Maintenance	Investment in Plant	Total	
<b>OPERATING SUPPORT</b>									
Contributions and gifts	\$ 19,422	\$ -	\$ -	\$ -	\$ 19,422	\$ -	\$ -	\$ -	\$ 19,422
<b>OTHER CHANGES IN NET ASSETS</b>									
Non-operating contributions	-	10,000	-	-	10,000	-	-	-	10,000
Non-operating investment income	4,134	2,221,202	53,100	8,259	2,286,695	403,735	-	403,735	2,690,430
Interfund transfers									
To finance Church maintenance expenses	-	-	-	-	-	(524,811)	-	(524,811)	(524,811)
To provide for future capital replacements	-	-	-	-	-	280,000	-	280,000	280,000
To finance Memorial and Endowment 2000 cost	(54,206)	-	(40,000)	-	(94,206)	-	-	-	(94,206)
To transfer operating surplus	-	128,177	-	-	128,177	-	-	-	128,177
To finance Women's Association	-	-	-	61,603	61,603	-	-	-	61,603
To finance operations (allocated investment return)	(4,724)	(743,585)	-	-	(748,309)	(160,290)	-	(160,290)	(908,599)
Change in Net Assets	(35,374)	1,615,794	13,100	69,862	1,663,382	(1,366)	-	(1,366)	1,662,016
<b>NET ASSETS</b>									
Beginning of year	<u>36,206</u>	<u>14,558,128</u>	<u>355,347</u>	<u>33,035</u>	<u>14,982,716</u>	<u>2,786,057</u>	<u>449,997</u>	<u>3,236,054</u>	<u>18,218,770</u>
End of year	<u>\$ 832</u>	<u>\$ 16,173,922</u>	<u>\$ 368,447</u>	<u>\$ 102,897</u>	<u>\$ 16,646,098</u>	<u>\$ 2,784,691</u>	<u>\$ 449,997</u>	<u>\$ 3,234,688</u>	<u>\$ 19,880,786</u>

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## 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, 2017

	Contributions Gifts, Auction and Bequests	Investment Income	Net Assets Released from Restrictions	Change in Beneficial Interest in Perpetual Trust	Valuation Adjustment	Change in Net Assets	Net Assets, Beginning of Year	Net Assets, End of Year	Temporarily Restricted	Permanently Restricted
Special Organ Fund	\$ -	\$ 24,288	\$ -	\$ -	\$ -	\$ 24,288	\$ 156,536	\$ 180,824	\$ 155,824	\$ 25,000
Helen W. Buckner Scholarship	-	32,907	(10,248)	-	-	22,659	215,449	238,108	138,108	100,000
Day School Special	752,137	178,090	(875,042)	-	-	55,185	2,234,824	2,290,009	2,290,009	-
Day School Teachers Salaries	7,543	620,240	(191,365)	-	-	436,418	4,060,942	4,497,360	4,256,676	240,684
Day School Cultural Fund	14,832	24	(15,981)	-	-	(1,125)	47,467	46,342	46,342	-
Music Fund	109,575	23	(16,237)	-	-	93,361	47,946	141,307	141,307	-
Paul Wolfe Memorial	2,415	237,890	(72,793)	-	-	167,512	1,556,366	1,723,878	1,082,936	640,942
Clifford Levy Scholarship	10,000	19,789	(4,464)	-	-	25,325	125,761	151,086	151,086	-
Guest Speakers	500	16,341	(7,788)	-	-	9,053	107,900	116,953	95,223	21,730
Designated Benevolence	11,000	1	-	-	-	11,001	1,833	12,834	12,834	-
Ladies Helping Hand	-	50,185	(15,738)	-	-	34,447	332,327	366,774	326,774	40,000
Merrill Fund	-	271,517	(84,245)	-	-	187,272	1,777,561	1,964,833	1,880,302	84,531
Colin Reed Trust	-	3,921	-	-	-	3,921	25,269	29,190	24,190	5,000
Watson Hall Maintenance	-	438,580	(960)	-	-	437,620	3,156,799	3,594,419	3,142,253	452,166
Church Outreach	-	172,938	(53,424)	-	-	119,514	1,123,484	1,242,998	1,075,034	167,964
Sick Children's Aid	-	32,912	(10,483)	-	-	22,429	218,152	240,581	204,340	36,241
Whitfield Beadleston	-	4,352	(1,355)	-	-	2,997	28,492	31,489	21,489	10,000
Clifford Seminary Fund	-	215,989	(54,123)	-	-	161,866	1,403,858	1,565,724	1,565,724	-
Edward Wilmot Blyden Trust	-	-	-	2,263	-	2,263	81,387	83,650	-	83,650
Holden Trust Beneficial Interest	-	-	-	139,913	-	139,913	1,278,456	1,418,369	-	1,418,369
Spinelli Fund for Professional Development	41,256	22	(66,378)	-	-	(25,100)	52,661	27,561	27,561	-
Building Fund	-	346,285	(107,800)	-	-	238,485	2,267,006	2,505,491	2,505,491	-
Falcone Children, Youth and Family Fund	-	379,261	(118,744)	-	-	260,517	2,483,294	2,743,811	2,743,811	-
Summer Steps	363,961	9,475	(238,101)	-	(45)	135,290	1,064,706	1,199,996	799,996	400,000
250th Anniversary Capital Campaign	269,483	778	(968,551)	-	(14,829)	(713,119)	4,611,678	3,898,559	3,898,559	-
75th Anniversary Capital Campaign	308,554	621	(892,650)	-	(9,472)	(592,947)	5,111,431	4,518,484	4,518,484	-
Wilson Family Sacred Music Fund	100,000	38,789	-	-	-	138,789	250,000	388,789	38,789	350,000
Lindvall Retirement Honorarium	358,574	-	-	-	(16,136)	342,438	-	342,438	342,438	-
Time Restricted Stewardship Contributions	1,912,054	-	(1,893,731)	-	-	18,323	1,893,731	1,912,054	1,912,054	-
	<u>\$ 4,261,884</u>	<u>\$ 3,095,218</u>	<u>\$ (5,700,201)</u>	<u>\$ 142,176</u>	<u>\$ (40,482)</u>	<u>\$ 1,758,595</u>	<u>\$ 35,715,316</u>	<u>\$37,473,911</u>	<u>\$ 33,397,634</u>	<u>\$ 4,076,277</u>

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