

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

Financial Statements

December 31, 2016

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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated April 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

April 14, 2017

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

Statement of Financial Position
December 31, 2016
(with comparative amounts at December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 2,801,311	\$ 1,434,884
Prepaid expenses and other assets	136,327	75,992
Promises to give receivable, net	1,506,467	1,705,579
Capital campaign pledges receivable, net	7,258,121	3,177,198
Note receivable	360,000	360,000
Investments	40,530,699	37,172,554
Restricted investments	2,104,258	1,824,258
Beneficial interest in perpetual trusts	1,359,843	1,382,422
Land, buildings, furniture and equipment	1	1
Manses	<u>449,996</u>	<u>449,996</u>
	<u>\$ 56,507,023</u>	<u>\$ 47,582,884</u>
 LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable and accrued expenses	\$ 163,344	\$ 153,060
Other liabilities	280,883	229,866
Deferred tuition	<u>2,000,533</u>	<u>1,897,847</u>
Total Liabilities	<u>2,444,760</u>	<u>2,280,773</u>
 Net Assets (Deficit)		
Unrestricted		
Operating	128,177	(188,566)
Quasi-endowment	14,982,716	14,189,951
Plant	<u>3,236,054</u>	<u>3,367,173</u>
Total Unrestricted	18,346,947	17,368,558
Temporarily restricted	31,881,215	24,726,873
Permanently restricted	<u>3,834,101</u>	<u>3,206,680</u>
Total Net Assets (Deficit)	<u>54,062,263</u>	<u>45,302,111</u>
	<u>\$ 56,507,023</u>	<u>\$ 47,582,884</u>

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, 2016
(with summarized totals for the year ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
OPERATING SUPPORT AND REVENUE					
Contributions and gifts	\$ 1,091,429	\$ 3,134,454	\$ -	\$ 4,225,883	\$ 5,208,339
Capital campaign	-	7,353,031	650,000	8,003,031	4,033,781
Day School tuition and fees, including financial aid of \$491,008 and \$400,733	4,189,419	-	-	4,189,419	3,839,576
Brick Church Fair income, net of direct expenses of \$142,905 and \$120,805	22,637	-	-	22,637	170,512
Program revenue	99,929	-	-	99,929	44,827
Allocated investment return	883,627	1,646,472	-	2,530,099	408,155
Income from perpetual trust	104,163	-	-	104,163	27,135
Interest and other income	7,540	-	-	7,540	5,440
Net Assets Released From Restrictions					
Stewardship	2,212,984	(2,212,984)	-	-	-
Other specific donor purposes	1,845,958	(1,845,958)	-	-	-
Total Operating Support and Revenue	<u>10,457,686</u>	<u>8,075,015</u>	<u>650,000</u>	<u>19,182,701</u>	<u>13,737,765</u>
OPERATING EXPENSES					
Pastoral	1,163,149	-	-	1,163,149	1,139,232
Ministry of music	434,520	-	-	434,520	415,377
Day School direct expenses	4,315,300	-	-	4,315,300	4,207,672
Summer Steps	204,750	-	-	204,750	222,912
Christian education	98,443	-	-	98,443	78,416
Denominational assessment	62,500	-	-	62,500	50,000
Benevolence	482,970	-	-	482,970	507,267
Operation and maintenance of plant	1,174,049	-	-	1,174,049	1,247,266
Administration	1,368,242	-	-	1,368,242	1,336,857
Fundraising	267,726	-	-	267,726	281,291
Uncollectible promises to give	15,870	-	-	15,870	171,358
Total Operating Expenses	<u>9,587,519</u>	<u>-</u>	<u>-</u>	<u>9,587,519</u>	<u>9,657,648</u>
Excess of Operating Support and Revenue Over Operating Expenses	870,167	8,075,015	650,000	9,595,182	4,080,117
NON-OPERATING ACTIVITIES					
Contributions and gifts for capital improvements	-	-	-	-	865
Valuation adjustment	-	(489,482)	-	(489,482)	(190,575)
Church maintenance expenses	(904,332)	-	-	(904,332)	(343,188)
Non-operating investment return	581,363	-	-	581,363	(1,141,125)
Net assets released from restrictions for capital improvements	431,191	(431,191)	-	-	-
Change in beneficial interest in perpetual trusts	-	-	(22,579)	(22,579)	(51,351)
Change in Net Assets	<u>978,389</u>	<u>7,154,342</u>	<u>627,421</u>	<u>8,760,152</u>	<u>2,354,743</u>
NET ASSETS					
Beginning of year	<u>17,368,558</u>	<u>24,726,873</u>	<u>3,206,680</u>	<u>45,302,111</u>	<u>42,947,368</u>
End of year	<u>\$ 18,346,947</u>	<u>\$ 31,881,215</u>	<u>\$ 3,834,101</u>	<u>\$ 54,062,263</u>	<u>\$ 45,302,111</u>

See notes to financial statements

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

Statement of Cash Flows
Year Ended December 31, 2016
(with comparative amounts for the year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,760,152	\$ 2,354,743
Adjustments to reconcile change in net assets to net cash from operating activities		
Uncollectible promises to give receivable	15,870	171,358
Valuation adjustment	489,482	190,575
Net realized (gains) losses on sales of investments	(290,453)	253,511
Depreciation (appreciation) of investments	(2,012,562)	920,241
Change in beneficial interest in perpetual trusts	22,579	51,351
Decrease (increase) in:		
Accounts receivable	-	2,978
Promises to give receivable	183,242	(442,398)
Capital campaign pledges	(4,570,405)	(3,177,198)
Prepaid expenses and other assets	(60,335)	14,574
Increase (decrease) in:		
Accounts payable and accrued expenses	10,284	(23,539)
Other liabilities	51,017	47,144
Deferred tuition	102,686	115,095
Net Cash From Operating Activities	2,701,557	478,435
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,026,759	6,266,905
Purchase of investments	(1,322,218)	(5,975,594)
Restricted investments	(280,000)	-
Net change in money market investments	(759,671)	(76,642)
Net Cash From Investing Activities	(1,335,130)	214,669
Net Change in Cash and Cash Equivalents	1,366,427	693,104
 CASH AND CASH EQUIVALENTS		
Beginning of year	1,434,884	741,780
End of year	\$ 2,801,311	\$ 1,434,884

See notes to financial statements

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

Notes to Financial Statements
December 31, 2016

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. 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 is promoting a capital campaign to support improvements to its facilities, increased 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.

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

Notes to Financial Statements
December 31, 2016

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 removes 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 2016, such costs for Church renovation expenses in the amount of \$904,332 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 2016 and 2015. Details to 2016 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, Plant Fund and Women’s Association 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.

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

Notes to Financial Statements
December 31, 2016

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 14, 2017.

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 2015, 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.

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

Notes to Financial Statements
December 31, 2016

4. Receivables

Promises to give receivable at December 31, 2016, discounted to fair value using a discount rate of 3.34%, are summarized as follows:

Scheduled Collection	Value of Promises
2017	\$ 1,647,595
2018	10,000
2019	10,000
2020	10,000
2021	10,000
Thereafter	20,000
Total scheduled collections	1,707,595
Discount on pledge receivable	(6,433)
Allowance for doubtful accounts	(194,695)
Promises to Give Receivable, net	\$ 1,506,467

Capital Campaign pledges receivable at December 31, 2016, discounted to fair value using a discount rate of 3.34%, are summarized as follows:

Scheduled Collection	Value of Pledges
2017	\$ 2,180,684
2018	1,942,818
2019	1,777,262
2020	1,421,179
2021	842,779
Thereafter	72,429
Total scheduled collections	8,237,151
Discount on pledge receivable	(423,973)
Allowance for doubtful accounts	(555,057)
Capital Campaign Pledges Receivable, net	\$ 7,258,121

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

Notes to Financial Statements
December 31, 2016

5. Note Receivable

The note receivable in unrestricted quasi-endowment consists of a three percent note from a current employee, due in monthly installments on a level debt service basis commencing at the end of the employee's service. The employee has a deferred compensation agreement with the Church. The balance of the deferred compensation at the date of the employee's retirement shall be used to repay the note receivable (see Note 9).

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, 2016, the pooling group, at fair value, consists of the following:

Unrestricted quasi-Endowment	\$ 14,979,992	35.05%
Unrestricted plant	2,786,057	6.52%
Temporarily restricted	22,869,025	53.51%
Permanently restricted	<u>2,104,258</u>	<u>4.92%</u>
	<u>\$ 42,739,332</u>	<u>100.00%</u>

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

Investments	\$ 42,379,332
Note receivable	<u>360,000</u>
Total Pooled Assets	<u>\$ 42,739,332</u>

Pooled funds do not include an investment of IBM stock donated to support the maintenance of Watson Hall with a current fair value of \$255,625.

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

Notes to Financial Statements
December 31, 2016

7. Assets Stated at Fair Value

The following are the classes and major categories of investments and other assets at December 31, 2016 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	\$ 255,625	\$ -	\$ -	\$ 255,625
Mutual Funds				
Domestic large cap equity	6,166,990	-	-	6,166,990
Domestic mid/small cap equity	2,499,505	-	-	2,499,505
International Large Cap Equity	3,638,767	-	-	3,638,767
Emerging markets equity	3,950,093	-	-	3,950,093
Natural resources equity	343,746	-	-	343,746
High grade bonds	2,577,359	-	-	2,577,359
Real estate and infrastructure	-	772,802	-	772,802
Floating rate debt	2,321,371	-	-	2,321,371
	<u>21,753,456</u>	<u>772,802</u>	-	<u>22,526,258</u>
Comingled funds				
Global equity (1)				3,489,272
Emerging markets equity (1)				1,360,137
European equity (1)				1,005,610
Hedge funds (1)				3,126,796
Funds of hedge funds (1)				5,978,538
Private equity (1)				2,969,721
Temporary cash investments - at cost				<u>2,178,625</u>
Total Investments				42,634,957
Beneficial interest in perpetual trusts	-	-	1,359,843	<u>1,359,843</u>
Total Assets at Fair Value	<u>\$ 21,753,456</u>	<u>\$ 772,802</u>	<u>\$ 1,359,843</u>	<u>\$ 43,994,800</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 2016.

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

Notes to Financial Statements
December 31, 2016

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 2016:

	Beneficial Interest in Perpetual Trusts
Balance, beginning	\$ 1,382,422
Total gains or losses (realized/unrealized) included in changes in net assets	(22,579)
Balance, end of year	\$ 1,359,843

Information regarding alternative investments measured using NAV as a practical expedient at December 31, 2016 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge funds (see a. below)	\$ 3,126,796	\$ -	Quarterly - Biennially	65 - 90 days
Funds of hedge funds (see b. below)	5,978,538	-	Annually	75 - 95 days
Comingled Funds (see c. below)				
Global equity	3,489,272	-	Bimonthly	3 days
Emerging markets equity	1,360,137	-	Monthly	10 days
European equity	1,005,610	-	April 2018	90 days
Private equity (see d. below)	2,969,721	1,669,840	N/A	N/A
	\$ 17,930,074	\$ 1,669,840		

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-two percent of this category is subject to the biennial redemption frequency.

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

Notes to Financial Statements
December 31, 2016

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 2018 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.

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

Notes to Financial Statements
December 31, 2016

7. Assets Stated at Fair Value (continued)

Investment return for the year ended December 31, 2016 is summarized as follows:

Interest and dividends, net	\$ 808,447
Net realized gains on sale of investments	290,453
Net appreciation of investments	<u>2,012,562</u>
Total Investment Return	<u>\$ 3,111,462</u>
Allocated Investment Return:	
Budgetary allocation of investment income	\$ 883,627
Investment income on restricted funds	<u>1,646,472</u>
	2,530,099
Non-operating investment return	<u>581,363</u>
	<u>\$ 3,111,462</u>

Investment return is reported net of investment advisory and custody fees. Investment advisory fees, which totaled \$59,758 in 2016, 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, 2016.

9. Deferred Compensation

Pursuant to an agreement with a current employee, the Church has deferred a portion of the compensation to be paid until after the employee's retirement. Such deferred compensation amounted to \$238,382 at December 31, 2016. The deferred compensation is included within other liabilities on the statement of financial position. The balance of deferred compensation at the date of the employees' retirement shall be used to repay the note receivable described in Note 5 of the financial statements. If the amount of deferred compensation at the time of retirement exceeds the note receivable, then the excess will be paid to the employee in accordance with the terms of the agreement. Conversely, if the amount of deferred compensation at retirement is less than the note receivable, the employee must repay the remaining outstanding balance in accordance with the terms of agreement.

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

Notes to Financial Statements
December 31, 2016

10. Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016 are available for the following periods and purposes:

Restricted as to Period	
Received for 2017	\$ 1,893,731
Restricted as to Purpose	
Capital Campaign	9,723,109
Day School	7,196,395
Operation and maintenance of plant	2,704,633
Falcone Children, Youth and Family Fund	2,483,294
Building fund	2,267,006
Ministry of music	1,872,512
Benevolence	1,565,532
Seminary education	1,424,127
Summer steps	664,706
Christian education	86,170
Total	<u>\$ 31,881,215</u>

Net assets released from restrictions during 2016 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	\$ 918,045	\$ 245,104	\$ 1,163,149
Ministry of music	325,927	108,593	434,520
Day School	3,377,817	937,483	4,315,300
Summer Steps	19,031	185,719	204,750
Christian education	90,943	7,500	98,443
Denominational assessment	62,500	-	62,500
Benevolence	393,687	89,283	482,970
Operation and maintenance of plant	1,169,499	4,550	1,174,049
Administration	1,368,242	-	1,368,242
Fundraising	-	267,726	267,726
Uncollectible pledges	15,870	-	15,870
Total	<u>\$ 7,741,561</u>	<u>1,845,958</u>	<u>\$ 9,587,519</u>
Stewardship contributions and promises to give received in 2015 for 2016		2,212,984	
Non-operating Activities			
Church maintenance expenses		431,191	
Total Net Assets Released from Restrictions		<u>\$ 4,490,133</u>	

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

Notes to Financial Statements
December 31, 2016

10. Temporarily and Permanently Restricted Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2016 represent original gifts that have been restricted by donors in perpetuity, the income from which is expendable to support the following:

Ministry of music	\$ 359,531
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	1,359,843
	<u>\$ 3,834,101</u>

Beneficial Interest in Perpetual Trust

The Church maintains beneficial interests in certain trusts administered by third parties. Those trusts were valued at \$1,359,843 at December 31, 2016. As these trusts are controlled and invested by independent third parties, the Church records a beneficial interest and contribution revenue for its ratable share of the assets based on the fair value of the trusts' underlying assets.

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, 2016

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 2016, the Church followed a policy of budgeting the spending of 4.75% and 5% of the trailing three year average of its restricted and unrestricted endowment funds, respectively, subject to abiding by the purpose and other restrictions of certain of the funds. The following is a reconciliation of the 2016 investment activity in the donor restricted and unrestricted quasi-endowment funds:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, January 1, 2016	\$ 13,829,951	\$ 7,799,195	\$ 1,824,258	\$ 23,453,404
Contributions	674,800	9,200	280,000	964,000
Transfers	(401,376)	-	-	(401,376)
Interest and dividends	310,222	292,264	-	602,486
Capital appreciation	917,127	769,998	-	1,687,125
Appropriation for expenditure	(708,008)	(443,258)	-	(1,151,266)
Balance, December 31, 2016	<u>\$ 14,622,716</u>	<u>\$ 8,427,399</u>	<u>\$ 2,104,258</u>	<u>\$ 25,154,373</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 8,427,399	\$ 2,104,258	\$ 10,531,657
Board designated funds	<u>14,622,716</u>	<u>-</u>	<u>-</u>	<u>14,622,716</u>
Total Funds	14,622,716	8,427,399	2,104,258	25,154,373
Due from operating fund	<u>(2,724)</u>	<u>-</u>	<u>-</u>	<u>(2,724)</u>
Investment Balance	<u>\$ 14,619,992</u>	<u>\$ 8,427,399</u>	<u>\$ 2,104,258</u>	<u>\$ 25,151,649</u>

12. Commitments

Defined Contribution Plan

The Church has a Section 403(b) plan for all eligible full time employees. Plan expense was \$112,923 in 2016.

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

Notes to Financial Statements
December 31, 2016

12. Commitments (continued)

Defined Contribution Plan (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 \$238,596 in 2016.

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 \$95,435 in 2016.

Operating Leases

The Church is obligated under noncancelable operating leases for its manse property and office equipment expiring at various dates through December 2020. Total lease expense for the year ended December 31, 2016 amounted to \$96,290. At December 31, 2016, the aggregate minimum annual rental commitments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 98,754
2018	67,674
2019	5,514
2020	<u>1,379</u>
	<u>\$ 173,321</u>

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

Notes to Financial Statements
December 31, 2016

13. Interfund Transfers

The following interfund transfers were made during the year ended December 31, 2016:

- 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 \$49,503 from Unrestricted Quasi-Endowment to Operating to cover memorial cost.
- d) A transfer of \$473,141 from Unrestricted Plant Maintenance to Operating to cover costs of Church maintenance.
- e) A transfer of \$883,627 from Unrestricted Quasi-Endowment and Plant Maintenance to Operating pursuant to the Church's spending rate policy.
- f) A transfer of \$154,721 from Unrestricted Quasi-Endowment to Women's Association to finance the Women's Association Fund.
- g) A transfer of \$5,000 from Women's Association to Operating to cover operating cost.
- h) A transfer of \$157,152 from Unrestricted Quasi-Endowment to Operating to cover the 2015 operating deficit.

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

Supplementary Information

December 31, 2016

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

Schedule of Financial Position by Fund
December 31, 2016
(with summarized totals at December 31, 2015)

	Unrestricted				Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total	
	Operating	Quasi- Endowment	Plant	Women's Association					Total
ASSETS									
Cash and cash equivalents	\$ 2,251,854	\$ -	\$ -	\$ -	\$ 2,251,854	\$ 549,457	\$ -	\$ 2,801,311	\$ 1,434,884
Prepaid expenses and other assets	136,327	-	-	-	136,327	-	-	136,327	75,992
Promises to give receivable, net	187,480	-	-	-	187,480	1,318,987	-	1,506,467	1,705,579
Capital campaign pledges receivable, net	-	-	-	-	-	6,888,121	370,000	7,258,121	3,177,198
Note receivable	-	360,000	-	-	360,000	-	-	360,000	360,000
Interfund due from (to)	(2,724)	2,724	-	-	-	-	-	-	-
Investments	-	14,619,992	2,786,057	-	17,406,049	23,124,650	-	40,530,699	37,172,554
Restricted investments	-	-	-	-	-	-	2,104,258	2,104,258	1,824,258
Beneficial interest in perpetual trusts	-	-	-	-	-	-	1,359,843	1,359,843	1,382,422
Land, buildings, furniture and equipment	-	-	1	-	1	-	-	1	1
Manses	-	-	449,996	-	449,996	-	-	449,996	449,996
	<u>\$ 2,572,937</u>	<u>\$ 14,982,716</u>	<u>\$ 3,236,054</u>	<u>\$ -</u>	<u>\$ 20,791,707</u>	<u>\$ 31,881,215</u>	<u>\$ 3,834,101</u>	<u>\$ 56,507,023</u>	<u>\$ 47,582,884</u>
LIABILITIES AND NET ASSETS									
Liabilities									
Accounts payable and accrued expenses	\$ 163,344	\$ -	\$ -	\$ -	\$ 163,344	\$ -	\$ -	\$ 163,344	\$ 153,060
Other liabilities	280,883	-	-	-	280,883	-	-	280,883	229,866
Deferred tuition	2,000,533	-	-	-	2,000,533	-	-	2,000,533	1,897,847
Total Liabilities	2,444,760	-	-	-	2,444,760	-	-	2,444,760	2,280,773
Net assets	<u>128,177</u>	<u>14,982,716</u>	<u>3,236,054</u>	<u>-</u>	<u>18,346,947</u>	<u>31,881,215</u>	<u>3,834,101</u>	<u>54,062,263</u>	<u>45,302,111</u>
	<u>\$ 2,572,937</u>	<u>\$ 14,982,716</u>	<u>\$ 3,236,054</u>	<u>\$ -</u>	<u>\$ 20,791,707</u>	<u>\$ 31,881,215</u>	<u>\$ 3,834,101</u>	<u>\$ 56,507,023</u>	<u>\$ 47,582,884</u>

See independent auditors' report

**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, 2016
(with summarized totals for the year ended December 31, 2015)

	Operating	Quasi- Endowment	Plant	Women's Association	2016 Total	2015 Total
OPERATING SUPPORT AND REVENUE						
Contributions and gifts	\$ 374,936	\$ 674,800	\$ -	\$ 41,693	\$ 1,091,429	\$ 1,383,797
Day School tuition and fees, including financial aid of \$491,008 and \$400,733	4,189,419	-	-	-	4,189,419	3,839,576
Brick Church Fair income, net of direct expenses of \$142,905 and \$120,805	-	-	-	22,637	22,637	170,512
Program revenue	99,929	-	-	-	99,929	44,827
Allocated investment return	883,627	-	-	-	883,627	820,445
Income from perpetual trust	104,163	-	-	-	104,163	27,135
Interest and other income	7,540	-	-	-	7,540	5,440
Net Assets Released From Restrictions						
Stewardship	2,212,984	-	-	-	2,212,984	2,039,142
Other specific donor purposes	1,835,874	-	-	10,084	1,845,958	2,103,465
Total Operating Support and Revenue	<u>9,708,472</u>	<u>674,800</u>	<u>-</u>	<u>74,414</u>	<u>10,457,686</u>	<u>10,434,339</u>
OPERATING EXPENSES						
Pastoral	1,163,149	-	-	-	1,163,149	1,139,232
Ministry of music	434,520	-	-	-	434,520	415,377
Day School direct expenses	4,315,300	-	-	-	4,315,300	4,207,672
Summer Steps	204,750	-	-	-	204,750	222,912
Christian education	98,443	-	-	-	98,443	78,416
Denominational assessment	62,500	-	-	-	62,500	50,000
Benevolence	388,970	-	-	94,000	482,970	507,267
Operation and maintenance of plant	1,174,049	-	-	-	1,174,049	1,247,266
Administration	1,238,107	-	-	130,135	1,368,242	1,336,857
Fundraising	267,726	-	-	-	267,726	281,291
Uncollectible promises to give	15,870	-	-	-	15,870	171,358
Total Operating Expenses	<u>9,363,384</u>	<u>-</u>	<u>-</u>	<u>224,135</u>	<u>9,587,519</u>	<u>9,657,648</u>
Excess (Deficiency) of Operating Support and Revenue Over Operating Expenses	345,088	674,800	-	(149,721)	870,167	776,691
NON-OPERATING ACTIVITIES						
Contributions and gifts for capital improvements	-	-	-	-	-	865
Church maintenance expenses	(904,332)	-	-	-	(904,332)	(343,188)
Non-operating investment return	-	519,341	62,022	-	581,363	(1,141,125)
Net assets released from restrictions for capital improvements	431,191	-	-	-	431,191	-
Interfund transfers	444,796	(401,376)	(193,141)	149,721	-	-
Change in Net Assets	316,743	792,765	(131,119)	-	978,389	(706,757)
NET ASSETS (DEFICIT)						
Beginning of year	<u>(188,566)</u>	<u>14,189,951</u>	<u>3,367,173</u>	<u>-</u>	<u>17,368,558</u>	<u>18,075,315</u>
End 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>

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, 2016

	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	
OPERATING SUPPORT									
Contributions and gifts	\$ 1,800	\$ -	\$ -	\$ -	\$ 1,800	\$ -	\$ -	\$ -	\$ 1,800
OTHER CHANGES IN NET ASSETS									
Non-operating contributions	-	673,000	-	-	673,000	-	-	-	673,000
Non-operating investment income	6,414	1,180,045	30,560	10,330	1,227,349	237,641	-	237,641	1,464,990
Interfund Transfers									
To finance Church maintenance expenses	-	-	-	-	-	(473,141)	-	(473,141)	(473,141)
To provide for future capital replacements	-	-	-	-	-	280,000	-	280,000	280,000
To finance Memorial and Endowment 2000 cost	(49,503)	-	(40,000)	-	(89,503)	-	-	-	(89,503)
To finance operating deficit	-	(157,152)	-	-	(157,152)	-	-	-	(157,152)
To finance Women's Association	-	-	-	(154,721)	(154,721)	-	-	-	(154,721)
To finance operations (allocated investment return)	(4,968)	(703,040)	-	-	(708,008)	(175,619)	-	(175,619)	(883,627)
Change in Net Assets	(46,257)	992,853	(9,440)	(144,391)	792,765	(131,119)	-	(131,119)	661,646
NET ASSETS									
Beginning of year	82,463	13,565,275	364,787	177,426	14,189,951	2,917,176	449,997	3,367,173	17,557,124
End of year	\$ 36,206	\$ 14,558,128	\$ 355,347	\$ 33,035	\$ 14,982,716	\$ 2,786,057	\$ 449,997	\$ 3,236,054	\$ 18,218,770

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, 2016**

	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	\$ 500	\$ 12,889	\$ (6,032)	\$ -	\$ -	\$ 7,357	\$ 149,179	\$ 156,536	\$ 131,536	\$ 25,000
Helen W. Buckner Scholarship	-	17,471	(8,854)	-	-	8,617	206,832	215,449	115,449	100,000
Day School Special	974,945	74,918	(540,493)	-	-	509,370	1,725,454	2,234,824	2,234,824	-
Day School Teachers Salaries	7,300	329,357	(183,722)	-	-	152,935	3,908,007	4,060,942	3,820,258	240,684
Day School Cultural Fund	8,240	14	(15,029)	-	-	(6,775)	54,242	47,467	47,467	-
Music Fund	19,000	13	(19,825)	-	-	(812)	48,758	47,946	47,946	-
Paul Wolfe Memorial	1,400	126,304	(69,435)	-	-	58,269	1,498,097	1,556,366	915,424	640,942
Clifford Levy Scholarship	-	10,134	(3,716)	-	-	6,418	119,343	125,761	125,761	-
Guest Speakers	-	8,874	(7,500)	-	-	1,374	106,526	107,900	86,170	21,730
Designated Benevolence	-	-	-	-	-	-	1,833	1,833	1,833	-
Ladies Helping Hand	-	26,615	(15,448)	-	-	11,167	321,160	332,327	292,327	40,000
Merrill Fund	-	144,564	(82,736)	-	-	61,828	1,715,733	1,777,561	1,693,030	84,531
Colin Reed Trust	-	2,004	-	-	-	2,004	23,265	25,269	20,269	5,000
Watson Hall Maintenance	-	281,503	(4,550)	-	-	276,953	2,879,846	3,156,799	2,704,633	452,166
Church Outreach	-	92,752	(51,551)	-	-	41,201	1,082,283	1,123,484	955,520	167,964
Sick Children's Aid	-	17,620	(12,200)	-	-	5,420	212,732	218,152	181,911	36,241
Whitfield Beadleston	-	2,313	(1,230)	-	-	1,083	27,409	28,492	18,492	10,000
Clifford Seminary Fund	-	112,818	(38,034)	-	-	74,784	1,329,074	1,403,858	1,403,858	-
Edward Wilmot Blyden Trust	-	-	-	823	-	823	80,564	81,387	-	81,387
Holden Trust Beneficial Interest	-	-	-	(23,402)	-	(23,402)	1,301,858	1,278,456	-	1,278,456
Spinelli Fund for Professional Development	26,273	30	(107,657)	-	-	(81,354)	134,015	52,661	52,661	-
Building Fund	-	183,843	(90,000)	-	-	93,843	2,173,163	2,267,006	2,267,006	-
Falcone Children, Youth and Family Fund	-	201,585	(117,070)	-	-	84,515	2,398,779	2,483,294	2,483,294	-
Summer Steps	581,725	680	(204,749)	-	(18,000)	359,656	705,050	1,064,706	664,706	400,000
250th Anniversary Capital Campaign	3,827,519	71	(164,424)	-	(183,298)	3,479,868	1,131,810	4,611,678	4,611,678	-
75th Anniversary Capital Campaign	3,546,852	100	(532,894)	-	(288,184)	2,725,874	2,385,557	5,111,431	5,111,431	-
Wilson Family Sacred Music Fund	250,000	-	-	-	-	250,000	-	250,000	-	250,000
Time Restricted Stewardship Contributions	1,893,731	-	(2,212,984)	-	-	(319,253)	2,212,984	1,893,731	1,893,731	-
	<u>\$ 11,137,485</u>	<u>\$ 1,646,472</u>	<u>\$ (4,490,133)</u>	<u>\$ (22,579)</u>	<u>\$ (489,482)</u>	<u>\$ 7,781,763</u>	<u>\$ 27,933,553</u>	<u>\$ 35,715,316</u>	<u>\$ 31,881,215</u>	<u>\$ 3,834,101</u>

See independent auditors' report