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

Consolidated Financial Report
December 31, 2019 and 2018

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Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries (Trinity), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rector, Church-Wardens, and Vestrymen of Trinity Church, in the city of New-York and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

New York, New York
May 27, 2020

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

Consolidated Balance Sheets
December 31, 2019 and 2018
(all dollar amounts in thousands)

	2019	2018
Assets		
Cash and cash equivalents	**$ 98,461**	$ 122,664
Restricted cash	**65,931**	9,848
Accounts, rent agreements and notes receivable, net	**6,954**	4,745
Ministry property and equipment, net	**473,944**	237,781
Investments, at fair value:		
Real estate	**6,213,836**	5,837,000
Financial	**3,025,961**	2,626,725
Prepayments and other assets	**47,332**	36,565
Total assets	**$ 9,932,419**	$ 8,875,328
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	**$ 222,182**	$ 106,550
Grants payable	**5,935**	5,933
Tenant security deposits	**9,671**	9,848
Pension and other postretirement benefits payable	**8,042**	7,161
Other liabilities	**35,408**	12,975
Notes and loans, net	**572,115**	473,442
Total liabilities	**853,353**	615,909
Net assets:		
Without donor restrictions:		
Ministry	**294,058**	159,491
Vestry designated endowment:		
Real estate investments	**3,314,700**	3,171,946
Financial investments	**2,982,052**	2,610,758
Trinity portion of net assets without donor restrictions	**6,590,810**	5,942,195
Joint venture partners' interests in real estate investments	**2,448,606**	2,307,283
Total net assets without donor restrictions	**9,039,416**	8,249,478
With donor restrictions	**39,650**	9,941
Total net assets	**9,079,066**	8,259,419
Total liabilities and net assets	**$ 9,932,419**	$ 8,875,328

See notes to consolidated financial statements.

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

Consolidated Statement of Activities
Years Ended December 31, 2019 and 2018
(all dollar amounts in thousands)

	2019	2018
Change in net assets without donor restrictions:		
Operating:		
Ministry revenue:		
Preschool tuition and other program revenue	**$ 4,598**	$ 4,169
Low income housing	**9,983**	11,994
Seminary income	**2,075**	-
Contributions and donations	**832**	795
All other revenue	**1,446**	1,317
Appropriation from endowment to support operations	**77,078**	55,885
Release from restrictions and reclassifications	**1,004**	645
Total ministry revenue	**97,016**	74,805
Ministry expenses:		
Program expenses:		
Parish programs and outreach ministries	**33,969**	27,861
Grants, other gifts and diocesan assessment	**21,570**	14,757
Low income housing	**3,888**	4,076
Seminary expenses	**1,728**	-
Church properties and program facilities support	**9,330**	8,650
Digital outreach and ministry communications	**5,467**	5,167
Total program expenses	**75,952**	60,511
Parish building development	**1,914**	1,437
Institutional and programmatic support	**20,871**	14,615
Fund development	**380**	44
Ministry expenses before depreciation expense	**99,117**	76,607
Excess of operating expenses over revenues before depreciation	**(2,101)**	(1,802)
Depreciation expenses	**(5,759)**	(7,607)
Excess of operating expenses over revenues	**(7,860)**	(9,409)
Change in net assets without donor restrictions:		
Non-operating:		
Net return from investments:		
Attributable to Trinity:		
Real estate investments	**253,411**	370,655
Financial investments	**441,789**	(215,488)
Net return from investments before appropriation	**695,200**	155,167
Appropriation to support operations	**(77,078)**	(55,885)
Attributable to joint venture partners' interests in real estate investments	**63,459**	206,562
Total net return from investments, net of appropriation to support operations	**681,581**	305,844
Postretirement related charges other than service costs	**(1,146)**	957
Received from joint venture partners in real estate investments	**123,240**	360
Distributions to joint venture partners in real estate investments	**(45,154)**	(42,676)
Change in net assets without donor restrictions	**750,661**	255,076

(continued on next page)

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

Consolidated Statement of Activities (Continued)
Years Ended December 31, 2019 and 2018
(all dollar amounts in thousands)

	2019	2018
Change in net assets without donor restrictions	**750,661**	255,076
Change in net assets with donor restrictions:		
Return on financial investments, net of appropriation to support operations	**3,639**	(807)
Contributions and change in value of interest in perpetual trusts	**323**	90
Release from restrictions and reclassifications	**(1,004)**	(645)
Change in net assets with donor restrictions	**2,958**	(1,362)
Change in net assets before contribution of net assets upon affiliation	**753,619**	253,714
Contribution of net assets without donor restrictions upon affiliation	**39,277**	-
Contribution of net assets with donor restrictions upon affiliation	**26,751**	-
Contribution of net assets upon affiliation	**66,028**	-
Change in net assets	**819,647**	253,714
Net assets at beginning of year	**8,259,419**	8,005,705
Net assets at end of year	**$ 9,079,066**	$ 8,259,419

See notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows
Years Ended December 31, 2019 and 2018
(all dollar amounts in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 819,647**	$ 253,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in unrealized appreciation of real estate investments	**(114,766)**	(237,498)
Net (gain) loss on financial investments	**(450,247)**	234,027
Net gain on sale of real estate property	**-**	(168,631)
Depreciation and amortization	**6,182**	8,174
Received from joint venture partners in real estate investments	**(123,240)**	(360)
Postretirement related charges other than service costs	**1,146**	(957)
Distributions to joint venture partners in real estate investments	**45,154**	42,676
Capital contribution to 375 HSP LLC	**(23,030)**	-
Contribution of net assets upon affiliation	**(66,028)**	-
Changes in assets and liabilities:		
Accounts, rent agreements and notes receivable, net	**5,055**	2,279
Accounts payable and accrued liabilities	**6,443**	2,293
Other changes, net	**14,023**	(3,521)
Net cash provided by operating activities	**120,339**	132,196
Cash flows from investing activities:		
Purchases and improvements of real estate investments	**(142,113)**	(95,584)
Net cash acquired in acquisition of CDSP	**178**	-
Purchases of financial investments	**(2,318,809)**	(1,620,094)
Sales of financial investments	**2,385,897**	1,014,994
Construction, purchases and improvements to ministry property and equipment	**(211,091)**	(100,022)
Sales of real estate property	**-**	644,293
Net cash used in investing activities	**(285,938)**	(156,413)
Cash flows from financing activities:		
Capital contribution to 375 HSP LLC	**23,030**	-
Received from joint venture partners in real estate investments	**123,240**	360
Proceeds from notes and loans, net	**96,363**	57,645
Distributions to joint venture partners in real estate investments	**(45,154)**	(42,676)
Net cash provided by financing activities	**197,479**	15,329
Net increase (decrease) in cash and cash equivalents and restricted cash	**31,880**	(8,888)
Cash and cash equivalents and restricted cash:		
Beginning	**132,512**	141,400
Ending	**$ 164,392**	$ 132,512
Supplemental disclosure of cash flow information:		
Interest paid	**$ 17,581**	$ 15,673
Supplemental disclosures of noncash investing activities:		
Affiliation with The Church Divinity School of the Pacific (see Note 18)	**$ 66,028**	$ -
Additions to ministry property and equipment in accounts payable and accrued liabilities	**$ (10,186)**	$ 21,898
Additions to real estate investments in accounts payable and accrued liabilities	**$ 119,359**	$ 6,663

See notes to consolidated financial statements.

Note 1. Organization

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

Trinity Church is a religious corporation formed under a charter from King William III of England in 1697 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). Trinity Church owns, or is the sole member of, or owns a controlling interest in, and operates the following entities which support the ministries of the Church:

St. Margaret's House Housing Development Fund Corporation (St. Margaret's House):
St. Margaret's House is a sole member New York not-for-profit corporation owned by Trinity Church, and is exempt from federal income tax under Section 501(c)(3) of the Code. It operates housing and related facilities for low-income elderly and handicapped.

Trinity Global Leadership Institute LLC (Trinity Global): Trinity Global, a Delaware limited liability company, was formed on December 5, 2018, as a single member LLC owned by Trinity Church, and is the sole member of The Church Divinity School of the Pacific (CDSP), which occurred on March 4, 2019.

CDSP is a seminary of the Episcopal Church. CDSP conducts instruction at the graduate theological level and grants such academic degrees and honors as are customary. On March 4, 2019, Trinity Church acquired CDSP.

CDSP will continue to be dedicated to rigorous academic and spiritual preparation for people who will lead the global church. Over time, Trinity and CDSP expect to enhance CDSP's curriculum and student life with substantial content and perspectives from other disciplines, including practical, managerial, and business skills that will help prepare ordained and lay people to lead and resource the church in a changing world.

For accounting purposes, Trinity accounted for this affiliation as an acquisition pursuant to Accounting Standards Codification (ASC) Topic 958 Not-for-Profit Entities, 805 Business Combinations, and Acquisition by a Not-for-Profit Entity and recorded a contribution of net assets at fair value effective March 4, 2019 (see Note 18).

Trinity Episcopal Center Association, Incorporated (Trinity Retreat Center): Trinity Retreat Center is a Connecticut non-stock corporation located in West Cornwall, Connecticut and is exempt from federal income tax under Section 501(c)(3) of the Code. The Trinity Retreat Center ceased operations for external parties effective in November 2012. Trinity Church reopened its Retreat Center in late 2017.

Trinity Concerts, Inc. (Trinity Concerts): Trinity Concerts is a New York not-for-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Code. It was formed to promote music and the performing arts and further the public portion of the music program of Trinity Church.

Note 1. Organization (Continued)

Hudson Square Properties LLC (HSP): HSP, a Delaware limited liability company, was formed on November 30, 2015 and is organized for the objective and purpose of owning Trinity REIT, Inc. (TREIT) and Trinity Hudson Holdings, LLC (THH) (together, the REIT Subsidiaries), and indirectly through the REIT Subsidiaries, operating, improving and maintaining 11 commercial buildings located in lower Manhattan within the area known as Hudson Square, in the city of New York.

HSP owns the 11 commercial buildings through an estate for years (EFY) term through April 16, 2118 and April 16, 2121 and is 51% owned by Trinity Church, 48% owned by NBIM Franklin Hudson Square, LLC (Norges HSP), an affiliate of Norges Bank Investment Management, and 1% owned by Hines Hudson Square Investor, LLC (Hines HSP).

The REIT Subsidiaries were formed in Delaware, qualify as real estate investment trusts (REIT) and are the holders of an estate for years interest in the land and buildings of 11 commercial buildings located in an area known as Hudson Square in the city of New York. Hudson Square Services LLC (HSS), a Delaware limited liability company, was formed on January 18, 2019 and is a taxable REIT subsidiary. HSS is owned 50% by THH and 50% by TREIT.

On April 17, 2019, Trinity Church sold a 48% interest in certain Remainderman LLCs (HSP Remainderman LLCs) related to 11 operating properties to Norges HSP for $93,120 and a 1% interest to Hines HSP for $1,940. The HSP Remainderman LLCs hold the rights to the EFY term period through April 16, 2118 for 9 properties and April 16, 2121 for 2 properties. On April 18, 2019, Trinity Church, Norges HSP, and Hines HSP contributed their interest in the HSP Remainderman LLCs to HSP, which resulted in an extension of the EFY from 75 years to 99 and 102 years. The contribution of the interests was recognized as a reorganization of entities under common control, and accordingly, the contributions were at their fair value carrying amounts, of $194,000 at the date of contributions. The HSP Remainderman LLCs are Delaware limited liability companies initially formed as single member LLCs. Each of the HSP Remainderman LLCs holds an EFY in one of the 11 properties owned by TREIT and THH and consolidated by HSP.

TREIT and THH have outstanding 120 and 125 shares, respectively, sold for $1 per share, of cumulative, nonvoting preferred stock that is callable at the discretion of the REIT Subsidiaries. Holders of the preferred stock are entitled to receive dividends semiannually at a per annum rate equal to 12.5% of the liquidation preference, which is $1 per share. Shareholders have no redemption rights and the preferred shares are carried at the liquidation preference. Preferred shareholders are presented as part of joint venture partners' interests in real estate investments in the accompanying financial statements.

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

Note 1. Organization (Continued)

On April 17, 2019, Trinity Church sold a 48% interest in Remainderman 375 LLCs for one operating property (375 Remainderman) to Norges 375 for $4,800 and a 1% interest to Hines 375 for $100. 375 Remainderman holds the rights to the EFY term period through April 16, 2118. On April 18, 2019, Trinity Church, Norges 375, and Hines 375 contributed their interest in 375 Remainderman to 375 HSP, which resulted in an extension of the EFY from 93 years to 99 years. The contribution of the interests was recognized as a reorganization of entities under common control, and accordingly, the contributions were at their fair value carrying amounts, of $10,000 at the date of contributions. 375 Remainderman is a Delaware limited liability company and is owned by 375 Hudson LLC as a result of the 2019 transaction and consolidated by 375 HSP.

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

Remainderman LLCs for 12 Operating Properties (Remainderman LLCs): The Remainderman LLCs are Delaware limited liability companies formed as single member LLCs owned by Trinity Church. As described above, each of the HSP Remainderman LLCs and 375 Remainderman (collectively, the Remainderman LLCs) holds a remainder interest in one of the 12 properties owned by the REIT Subsidiaries and 375 HSP. The Remainderman LLCs were modified on April 17, 2019, such that they hold the rights to the EFY term period through April 16, 2118 for 10 properties and April 16, 2121 for 2 properties. On April 17, 2019, Trinity Church sold a 48% interest in Remainderman LLCs to Norges HSP and Norges 375, and a 1% interest to Hines HSP and Hines 375 for an aggregate amount of $99,960. On April 18, 2019, Trinity Church, Norges HSP, Norges 375, Hines HSP and Hines 375 contributed their interest in the Remainderman LLCs to HSP and 375 HSP, which resulted in an extension of the EFY for HSP and 375 HSP as described above. This is reflected in the consolidated statement of activities as received from joint venture partners in real estate investments.

New Remainderman LLCs for 12 Operating Properties (New Remainderman LLCs): The New Remainderman LLCs are Delaware limited liability companies formed as single member LLCs owned by Trinity Church. Each of the New Remainderman LLCs holds a remainder interest in one of the 12 properties owned by the REIT Subsidiaries and 375 HSP. The 12 properties revert to the control of Trinity Church at the end of the EFY term, which is April 16, 2118 for 10 properties and April 16, 2121 for 2 properties.

561 HH LLC (561 HH): 561 HH, a Delaware limited liability company, was formed as a single member LLC owned by Trinity Church on October 26, 2018 and it was organized for the objective and purpose of owning 561 Greenwich Street. On December 11, 2018, Trinity Church contributed its fee interest in the 561 Greenwich Street property to 561 HH. 561 HH qualifies as a REIT.

561 HH has outstanding 125 units, sold for $1 per unit, of cumulative, nonvoting preferred units that are callable at the discretion of 561 HH. Holders of the preferred units are entitled to receive dividends semiannually at a per annum rate equal to 12% of the liquidation preference, which is $1 per unit. Holders of the preferred units have no redemption rights and the preferred units are carried at the liquidation preference.

Note 1. Organization (Continued)

92 HH LLC (92 HH): 92 HH, a Delaware limited liability company, was formed as a single member LLC owned by Trinity Church on October 26, 2018 and it was organized for the objective and purpose of owning 92 Avenue of Americas. On December 11, 2018, Trinity Church contributed its fee interest in the 92 Avenue of the Americas property to 92 HH. 92 HH qualifies as a REIT.

92 HH has outstanding 125 units, sold for $1 per unit, of cumulative, nonvoting preferred units that are callable at the discretion of 92 HH. Holders of the preferred units are entitled to receive dividends semiannually at a per annum rate equal to 12% of the liquidation preference, which is $1 per unit. Holders of the preferred units have no redemption rights and the preferred units are carried at the liquidation preference.

On April 17, 2019, Norges HSP and Hines HSP entered into a Share Purchase Agreement to acquire 48% and 1%, respectively, in each of 561 HH and 92 HH, with a closing to occur upon substantial completion of the respective buildings to be built on such development parcels subject to certain terms and conditions. Norges HSP paid a cash deposit of $20,000 (reflected in restricted cash and other liabilities on the consolidated balance sheet) at the closing of the Share Purchase Agreement and Hines HSP will pay a cash deposit of $200 upon substantial completion of the respective buildings to be built which is anticipated to occur in mid-2022. The Share Purchase Agreement contains conditions that allow for termination rights which may result in a return of a portion of the cash deposits. Trinity is responsible for all costs associated with the development activities at 561 HH and 92 HH.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: The accompanying consolidated financial statements (collectively, the financial statements) include the accounts of Trinity Church, St. Margaret's House, Trinity Global, Trinity Retreat Center, Trinity Concerts, HSP, 375 HSP, the Remainderman LLCs, the New Remainderman LLCs, 561 HH, and 92 HH (collectively, Trinity). All significant intercompany accounts and transactions have been eliminated in consolidation. Joint venture partners' interests in real estate investments in the accompanying balance sheets represents Norges HSP and Norges 375's 48% ownership and Hines HSP and Hines 375's 1% ownership of HSP and 375 HSP, respectively, along with preferred unit holders of the REIT subsidiaries.

Basis of accounting and financial statement presentation: The financial statements of Trinity have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) ASC As required by the Non-Profit Entities Topic 958, Trinity reports information on its net assets and revenues, expenses, gains and losses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows:

Net assets without donor restrictions: Net assets not subject to donor-imposed stipulations and include amounts available for operations and vestry designated amounts.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that require they be maintained in perpetuity or that may or will be met by actions of Trinity or the passage of time. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

(all dollar amounts in thousands unless otherwise indicated)

Note 2. Summary of Significant Accounting Policies (Continued)

Measure of operations: Trinity's operating revenues in excess of expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Vestry-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both net assets with donor restrictions and net assets without donor restrictions designated for long-term investment according to Trinity's spending policy which is detailed in Note 4. The measure of operations excludes endowment returns in excess of amounts available for current support.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and restricted cash: All short-term investments with maturities of three months or less at the date of purchase are considered to be cash equivalents, except for those amounts held as part of Trinity's long-term investment strategy. Restricted cash consists of tenant security deposits and amounts held by lender in accordance with mortgage loan agreements. Substantially all restricted cash is held in demand deposits.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that agree to the total of the same amounts shown in the consolidated statement of cash flows:

	2019	2018
Cash and cash equivalents	$ 98,461	$ 122,664
Restricted cash	65,931	9,848
Cash and cash equivalents and restricted cash	$ 164,392	$ 132,512

Accounts, rent agreements and notes receivable: Accounts, rent agreements and notes receivable represent outstanding amounts due primarily from tenants and are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables due from tenants.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to the applicable accounts or notes receivable. Based on the information available, Trinity believes the allowance for doubtful accounts as of December 31, 2019 and 2018 is adequate. However, actual write-offs may exceed the recorded allowance.

Investments: Trinity records its investments at their estimated fair value as described in Note 7 with the related return from investments included in the accompanying consolidated statements of activities.

Ministry property and equipment: Additions in excess of $10 are capitalized at cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The useful lives of the assets range from 3 to 50 years.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Grants expense and related payable: The Trinity Grants Program currently operates to address spiritual, social and economic issues in the Episcopal Church, metropolitan New York and throughout the world. Trinity records grant obligations when approved by the Vestry and unconditionally committed to the recipient.

Revenue and expense recognition: Rental revenue for non-commercial real estate activities is included in low income housing on the consolidated statements of activities. Rental revenue and expense of the commercial real estate investments is included in the net return from real estate investments on the consolidated statements of activities. Rental revenue is recognized using the accrual basis in accordance with the terms of the underlying lease agreement. Rental revenue is not accrued during periods of rent abatement as the value of the future rental revenue is considered in connection with estimating the fair value of real estate investments. Operating expenses of real estate investments are recognized as incurred. Additional rents and reimbursements, which are provided in the underlying leases, are recognized as income when earned and when their amounts can be reasonably estimated.

An agreement to terminate a lease may or may not include a payment to Trinity in recognition of future rents. When the agreement with the tenant includes termination income or expense to Trinity, it is recognized upon execution of the termination or surrender agreement. All commercial real estate activity is included in the net return from investments.

Trinity records as ministry revenue the following types of contributions at fair value when they are received unconditionally: cash and gifts of other assets, promises to give, and certain contributed services. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as support when the conditions on which they depend have been substantially met. Contributions and promises to give are initially reported at estimated fair value and are recorded as revenue when either cash or other assets are received or when donors make an enforceable promise to give. Contributions and promises to give are reported either as with donor restrictions or without donor restrictions, based on the donor's intent.

Trinity recognizes revenue from preschool and seminary tuition and fees during the period in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the term.

Note 2. Summary of Significant Accounting Policies (Continued)

In addition, the seminary students have an option for room and board on premises. The performance obligation of providing access to housing and meals are satisfied ratably over the period in which the student chooses to live and dine on campus. Contracts for tuition are combined into a single portfolio of similar contracts. Similarly, contracts for room and board are combined into a single portfolio of similar contracts. Students who adjust their course load or withdraw completely within a few weeks of the start of the semester may receive partial or full refunds of their tuition, fees, room and board in accordance with CDSP's refund policy.

Historically, seminary refunds have been approximately less than one percent of the total amount billed and reduce the amount of revenue recognized. Payments for tuition, fees, room and board are due approximately four weeks after the start of the academic term. Payments for housing are billed monthly for both students of CDSP and students from other institutions. All amounts received prior to the commencement of the academic term, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition and fees at the time revenue is recognized.

Also included in seminary income on the consolidated statements of activities is housing contracts with seminary students, housing contracts with students of other institutions, short-term housing and event rentals and long-term institutional lease contracts.

The performance obligation of providing access to short-term housing and other events are satisfied ratably over the period in which the customer is provided access to housing or event space. These contracts are combined into a single portfolio of similar contracts. Long-term institutional lease revenue is accounted for under the lease guidance.

Trinity applies the practical expedient allowed under revenue recognition accounting guidance and, therefore, does not disclose information about remaining performance obligations that have original durations of one year or less.

Impairment of long-lived assets: Trinity periodically assesses the recoverability of its long-lived assets and believes that there is no impairment at December 31, 2019 and 2018.

Leases and related liabilities: Trinity leases space under noncancelable lease agreements, which are accounted for as operating leases. Trinity recognizes rent expense on a straight-line basis over the lease term. The cumulative excess of rents so recognized over amounts contractually due pursuant to the underlying leases is reported in other liabilities on the accompanying consolidated balance sheets.

Asset retirement and environmental obligations: Trinity follows FASB ASC 410, Asset Retirement and Environmental Obligations; this standard requires a liability be recorded at fair value specific to certain legal or contractual obligations. The recording of a liability is required if such conditions exist and the obligation can be reasonably estimated. Trinity will recognize a liability in the period in which it becomes aware of such liability and sufficient information is available to reasonably estimate the fair value.

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

The REIT subsidiaries, 375 HH, 561 HH and 92 HH, (together, the REIT entities) have elected to be taxed or intend to be taxed as REITs under sections 856-860 of the Internal Revenue Code, as amended, for federal income tax purposes. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distributes at least 90 percent of its REIT taxable income (subject to certain adjustments) to its shareholders. The REIT entities will not be subject to federal income tax on taxable income that is distributed to the shareholders. Management believes the REIT entities are organized in such a manner as to qualify for treatment as REITs and intend to continue in the foreseeable future in such a manner that they will remain qualified as REITs for federal income tax purposes. If the REIT entities fail to quality for REIT status in any taxable year, without the benefit of certain relief provisions, the REIT entities will be subject to federal and state income tax on taxable income at regular corporate rates. Even if the REIT entities qualify for taxation as REITs, they may be subject to certain state and local taxes on the income, property, and/or net worth and federal income and excise taxes on undistributed income.

Trinity's current accounting practices include the review of uncertain tax positions by management on a regular basis with adjustments and disclosures made in accordance with U.S. GAAP. For the years ended December 31, 2019 and 2018, no uncertain tax positions have been identified. Trinity is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for the years before 2016.

Recently adopted accounting standards: In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Currently, diversity exists in the classification and presentation of changes in restricted cash in the statement of cash flows. The updated standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018. Trinity adopted the provisions of ASU 2016-18 as of December 31, 2019 and prior period amounts have been reclassified to conform to the current period presentation. As of December 31, 2019, the impact of the adoption resulted in the presentation of cash, cash equivalents, and restricted cash as a single line item on the statement of cash flows and eliminated the presentation of change in restricted cash on the statement of cash flows. Aside from the change in presentation on the statement of cash flows, the adoption of ASU 2016-18 did not impact Trinity's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. Trinity adopted this guidance in 2019 utilizing the modified retrospective method of adoption, and the adoption of this standard did not have a material impact on the financial statements.

Recently issued accounting standards: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for 2022 and Trinity is currently evaluating the impact of the adoption of the new standard on its financial statements.

(all dollar amounts in thousands unless otherwise indicated)

Note 2. Summary of Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, intended to clarify and improve the scope and the accounting guidance for contributions received and made. The ASU is effective in 2019 for contributions received and in 2020 for contributions made. Trinity adopted ASU 2018-08 provisions relating to contributions received in 2019 and the adoption did not have material impact on the financial statements. Trinity will adopt the ASU 2018-08 provisions relating to contributions made in 2020. Management has not evaluated the impact on its financial statements of the ASU provisions relating to contributions made.

Note 3. Financial Assets and Liquidity Reserves

The following reflects Trinity's financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt. Amounts not available include amounts set aside for investing in vestry designated endowment funds that could be drawn only upon the approval of the Vestry. However, amounts already appropriated from either the donor restricted endowment or Vestry designated endowment funds for general expenditures within one year of December 31, 2019 and 2018 are considered available.

	2019	2018
Cash and cash equivalents	$ 98,461	$ 122,664
Accounts, rent agreements and notes receivable, net	6,954	4,745
Financial investments, at fair value	3,025,961	2,626,725
Financial assets at year end	3,131,376	2,754,134
Financial assets restricted by donors and designated by the Vestry	(2,958,876)	(2,598,134)
Financial assets available within one year to meet cash needs for general expenditures, as defined under spending policy	$ 172,500	$ 156,000

Trinity also has unsecured committed revolving credit facilities aggregating $750,000 and $250,000 as of December 31, 2019 and 2018, respectively. The outstanding loan balances under these facilities was $173,170 and $77,400 as of December 31, 2019 and 2018, respectively. (Note 13).

Trinity regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Trinity has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit. As part of its liquidity management plan, Trinity invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. Typically, Trinity keeps approximately three months of anticipated operating spending in cash on hand.

Trinity maintains a certain minimum level of liquidity sufficient to fund its ongoing expenses, including outstanding investment commitments. Trinity regularly monitors a number of liquidity measures to assess its ability to meet operating needs and investment commitments. These include monitoring the level of assets that could be liquidated within a year without significant losses to meet unfunded investment commitments and Trinity's projected current annual spending.

(all dollar amounts in thousands unless otherwise indicated)

Note 4. Endowments

Trinity's endowment consists of both financial and real estate investments. Trinity's financial investment portfolio at December 31, 2019 and 2018 consists of approximately 71 and 21 individual funds, respectively, established for a variety of purposes. The financial investment portion of the endowment includes both donor-restricted endowment funds and funds designated by the Vestry to function as endowments. Trinity's real estate investments portfolio consists of 18 assets, including commercial operating properties, ground leases, and potential development sites.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment supports Trinity's legacy and mission in the world.

Changes in the fair value of the endowment assets and net assets by type of fund were as follows for the years ended 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Real estate investments	$ 253,411	$ -	$ 253,411
Financial investments	441,789	2,821	444,610
Endowment investments return attributable to Trinity	695,200	2,821	698,021
Appropriation from endowment to support operations and capital expenditures:			
Operations	(77,078)	(715)	(77,793)
Capital expenditures and other assets	(56,246)	-	(56,246)
Special appropriation for 76 Trinity Place office tower capital expenditures	(48,050)	-	(48,050)
Total appropriations from endowment	(181,374)	(715)	(182,089)
Endowment investment return, net after appropriation	513,826	2,106	515,932
Other changes in endowment assets:			
Endowment assets acquired from CDSP	-	22,806	22,806
Received from joint venture partners	250	-	250
Distributions to joint venture partners	(28)	-	(28)
Net change in endowment assets	514,048	24,912	538,960
Beginning of year	5,782,704	4,580	5,787,284
End of year	$ 6,296,752	$ 29,492	$ 6,326,244
Investments by type of fund:			
Donor-restricted "true" endowment			
Historical gift value	$ -	$ 24,352	24,352
Appreciation	-	5,140	5,140
Total donor restricted "true" endowment		29,492	29,492
Vestry-designated "funds functioning as endowment":			
Real estate endowment:	3,314,700	-	3,314,700
Financial investments endowment	2,982,052	-	2,982,052
Total Vestry-designated "funds functioning as endowment":	6,296,752	-	6,296,752
Total - as above	$ 6,296,752	$ 29,492	$ 6,326,244

(all dollar amounts in thousands unless otherwise indicated)

Note 4. Endowments (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Real estate investments	$ 370,655	$ -	$ 370,655
Financial investments	(215,488)	(395)	(215,883)
Endowment investments return attributable to Trinity	155,167	(395)	154,772
Appropriation from endowment to support operations and capital expenditures:			
Operations	(55,885)	(89)	(55,974)
Capital expenditures and other assets	(41,916)	-	(41,916)
Special appropriation for 76 Trinity Place office tower capital expenditures	(43,776)	-	(43,776)
Total appropriations from endowment	(141,577)	(89)	(141,666)
Endowment investment return, net after appropriation	13,590	(484)	13,106
Other changes in endowment assets:			
Received from joint venture partners	360	-	360
Net change in endowment assets	13,950	(484)	13,466
Beginning of year	5,768,754	5,064	5,773,818
End of year	$ 5,782,704	$ 4,580	$ 5,787,284
Investments by type of fund:			
Donor-restricted "true" endowment			
Historical gift value	$ -	$ 1,802	1,802
Appreciation	-	2,778	2,778
Total donor restricted "true" endowment		4,580	4,580
Vestry-designated "funds functioning as endowment":			
Real estate endowment:	3,171,946	-	3,171,946
Financial investments endowment	2,610,758	-	2,610,758
Total Vestry-designated "funds functioning as endowment":	5,782,704	-	5,782,704
Total - as above	$ 5,782,704	$ 4,580	$ 5,787,284

Trinity's continued intention is for the endowment to exist in perpetuity and grow over time to support and sustain the church's ministries. There are two separate endowments. The Vestry is responsible for overseeing the endowments. The Vestry oversees management and investment decisions about individual endowment assets in the context of an overall strategy that takes into consideration both risk and return objectives appropriate to Trinity and compliance with the New York Prudent Management of Institutional Funds Act (NYPMIFA) and the California enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), collectively, PMIFA.

For accounting and reporting purposes, Trinity classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the historical value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the applicable donor instrument. Also included in the net assets with donor restrictions is the accumulated appreciation on donor restricted endowments which are available for expenditure in a manner consistent with the standard of prudence prescribed by PMIFA, and deficiencies, if any, associated with funds where the value of the fund has fallen below the original value of the gift. There were $716 of deficiencies as of December 31, 2019 and no deficiencies at December 31, 2018.

Note 4. Endowments (Continued)

Trinity has interpreted PMIFA as allowing Trinity to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as Trinity determines is prudent for the uses, benefits, purposes and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted until appropriated for expenditure by the Vestry.

Consistent with PMIFA, all investment decisions are made in good faith and with the care an ordinarily prudent person would exercise under similar circumstances. The following factors, to the extent relevant, are among the considerations in managing and investing financial investments: (i) general economic conditions; (ii) the possible effect of inflation or deflation; (iii) the expected tax consequences, if any, of investment decisions or strategies; (iv) the role that each investment or course of action plays within the overall financial investment portfolio; (v) the expected total return from income and the appreciation on investments; (vi) other resources of Trinity; (vii) the needs of Trinity regarding distributions, diversification and preservation of capital; (viii) an asset's special relationship or special value, if any, to the charitable purpose of Trinity and any restrictions placed on a particular asset by the donor or by the Vestry; (ix) management and administrative costs; and (x) liquidity considerations.

Trinity's spending policy is intended to carry out Trinity's mission in the world by withdrawing endowment funds in a stable and sustainable way. In 2018, the spending policy was amended from a range of 2.50% to 3.00% to a fixed 3.25% of a trailing five-year moving average on a one-year lag of the fair value of the endowment investments. The payout percentage is reviewed periodically and adjusted, as considered necessary. The 2019 operating and capital expenditure budget approved by the Vestry was $156 million which is 3.25% of the trailing five-year moving average of the fair value of the endowment investments. The actual spending rate for 2019 was 3.1%. The 2018 operating and capital expenditure budget approved by the Vestry was $121.2 million which is 2.9% of the trailing five-year moving average of the fair value of the endowment investments. The actual spending rate for 2018 was 2.2%. In addition to the operating and capital expenditure budget, the Vestry approved additional endowment draws to fund construction of the commercial portion of the parish building in 2019 and 2018, and a 2019 contribution of $6,830 to CDSP to repay an endowment loan (see Note 18).

If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income is received in excess of the objective, the balance is reinvested in the endowment.

The Investment Committee, in accordance with the policies and procedures approved by the Vestry, has responsibility to develop, recommend to the Vestry and oversee the implementation of the overall asset allocation policies to secure, use prudently and grow the endowment, which is primarily unrestricted. The Investment Committee, in accordance with the policies and procedures approved by the Vestry, also has responsibility for oversight of the Trinity wholly owned commercial real estate portion of the endowment, which is without donor restrictions.

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

Note 5. Investment in Real Estate Subsidiaries

As part of its ongoing stewardship and prudent management of its endowment assets, Trinity Church entered into joint venture agreements with Norges HSP, Norges 375, Hines HSP and Hines 375 for the ownership of 12 commercial buildings located in Hudson Square for a period of time under an estate for years which runs through April 16, 2118 for 10 properties and April 16, 2121 for 2 properties. The 12 properties revert to the control of Trinity Church at the end of the EFY term.

Total cash contributions by the joint venture partners amounted to $23,030 in 2019. There were no contributions in 2018. With the extension of the estate for years for the 12 properties, the joint venture partners contributed their interests which amounted to $99,960. Additionally, $250 was raised through a private placement for preferred holders in 561 HH and 92 HH. These contributions aggregated to $123,240 which is reflected in the consolidated statement of activities as amounts received from joint venture partners in real estate investments.

Total distributions to the joint venture partners, including distributions to preferred members, amounted to $45,154 and $42,676 in 2019 and 2018, respectively.

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

On July 9, 2018, Trinity closed on a transaction with The Walt Disney Company (Disney) under which Trinity sold a 99-year Estate for Years interest for $650,000, subject to closing costs and prorations, and retained the remainderman interest in the land. The net proceeds received amounted to $644,293 and resulted in a gain of $168,631 which is reflected in net return from real estate investments on the consolidated statements of activities.

Disney is obligated to raze the existing buildings and construct a new building which will be used as its New York City headquarters for at least 20 years from completion (substantial completion required by the earlier of: a) 6 years after tenant vacancy; or b) 8 years after transaction closing).

Note 6. Accounts, Rent Agreements and Notes Receivable

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

	2019	2018
Accounts receivable - Tenants	$ 4,872	$ 2,960
Rent agreements receivable	745	699
Other receivables	1,601	1,353
	7,218	5,012
Less allowance for doubtful accounts	(264)	(267)
Accounts, rent agreements and notes receivable, net	$ 6,954	$ 4,745

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements

Investments, at fair value, are as follows:

	2019		
	Domestic	Global	Total
Financial investments:			
Cash and cash equivalents	$ 127,557	$ -	$ 127,557
Fixed income	385,120	8,229	393,349
Equities and equity mutual funds	494,944	1,226,732	1,721,676
Private equity funds:			
Oil and gas	3,379	-	3,379
Distressed	1,285	289	1,574
Venture capital	30,538	42,573	73,111
Commodities	-	1,187	1,187
Real estate	16,230	-	16,230
Growth	3,771	11,988	15,759
Buyout	62,341	8,317	70,658
Marketable alternatives:			
Multi-strategy	173,216	427,729	600,945
Distressed	-	536	536
Total financial investments	1,298,381	1,727,580	3,025,961
Real estate investments:			
Joint venture real estate investments	5,448,036	-	5,448,036
Trinity wholly owned real estate investments	765,800	-	765,800
Total real estate investments	6,213,836	-	6,213,836
Other:			
Beneficial interest in estate	269	-	269
Beneficial interest in perpetual trusts	1,199	-	1,199
Split interest agreements held by others	1,779	-	1,779
Total other	3,247	-	3,247
Total assets carried at fair value	$ 7,515,464	$ 1,727,580	$ 9,243,044

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements (Continued)

	2018		
	Domestic	Global	Total
Financial investments:			
Pending investments and distributions	$ 138,593	$ -	$ 138,593
Cash and cash equivalents	39,532	-	39,532
Fixed income	368,947	-	368,947
Equities and equity mutual funds	439,603	1,119,737	1,559,340
Private equity funds:			
Oil and gas	4,421	-	4,421
Distressed	1,752	393	2,145
Venture capital	18,696	5,569	24,265
Commodities	-	1,632	1,632
Real estate	1,319	-	1,319
Growth	-	4,191	4,191
Marketable alternatives:			
Multi-strategy	91,931	389,683	481,614
Distressed	-	726	726
Total financial investments	1,104,794	1,521,931	2,626,725
Real estate investments:			
Joint venture real estate investments	5,060,000	-	5,060,000
Trinity wholly owned real estate investments	777,000	-	777,000
Total real estate investments	5,837,000	-	5,837,000
Other:			
Beneficial interest in estate	296	-	296
Beneficial interest in perpetual trust	248	-	248
Total other	544	-	544
Total assets carried at fair value	$ 6,942,338	$ 1,521,931	$ 8,464,269

Note 7. Investments and Fair Value Measurements (Continued)

Trinity's primary investment objectives are to maintain or increase the purchasing power of its assets net of spending, so that its ministries and programs can be maintained or increased in real terms in perpetuity, and to preserve and enhance the value of Trinity's assets for generations to come. Major investment decisions are authorized by the Vestry's Investment Committee, which oversees Trinity's investment program in accordance with established guidelines.

Fixed income investments are comprised of cash, U.S. treasuries, and opportunistic credit and mortgage-related investments. The U.S. treasury exposure serves to protect the overall financial investments during periods of deflation, recession, and times of financial stress, while also serving as a diversifying asset class, given its relatively low correlations with other asset classes in the financial investments portfolio. The cash portion of the financial investments serves to meet Trinity's liquidity needs as the primary source of funds for operations, expenses, capital calls and new investments and includes cash and short-term liquid fixed income investments with maturities less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. The opportunistic credit and mortgage portion of the financial investments serves to take advantage of attractive investment opportunities across the spectrum of performing credit securities. Non-cash fixed income investments consist of separately managed accounts and limited partnerships.

Global public equity investments consist of separate accounts, commingled funds, and limited partnerships, invested both actively and passively in public securities listed in the U.S., developed markets ex-U.S. and emerging markets. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices. Commingled funds and limited partnership interests in equity-oriented funds with monthly or longer liquidity are valued based on independently determined NAV provided by external fund managers. Global public equity investments may also include equity long/short funds with over 60% exposure to global public equity markets.

The marketable alternatives portfolio consists of investments in limited partnership interests in hedge funds and drawdown private investment partnerships that have broad investment mandates, including the ability to invest long and short across asset classes. While the majority of underlying investments are in marketable securities, the funds are valued based on independently determined NAV provided by external fund managers.

Private investments in debt, equity, real assets and natural resources consist of limited partnership interests in partnerships that typically invest in private securities for which there is no readily determinable market value. Market value is determined by external managers through a variety of valuation processes, including external appraisals. Limited partnership valuations are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. Trinity monitors the valuation practices of managers.

Trinity's real estate investments consist of directly owned assets, including ground leases, potential development sites, and joint venture stakes in commercial operating properties (the Properties). Trinity actively manages these assets. Trinity recognizes both its historic relationship to its New York assets and the communities in which they reside, and the challenges of the overall portfolio illiquidity presented by its substantial real estate holdings. Trinity works to enhance the value of its real estate assets while managing, and selectively reducing when possible, the endowment's exposure to concentrated risk. The value of Trinity's real estate investments is determined quarterly to annually by independent appraisals.

Note 7. Investments and Fair Value Measurements (Continued)

The investments held by Trinity include commitments to some limited partnerships for additional capital funding from Trinity. Funding of partnership commitments will occur over time with notice from the partnership's general partners. At December 31, 2019 and 2018, Trinity's outstanding commitments to these limited partnerships are $503,844 and $234,942, respectively.

Trinity values its financial and real estate assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, Trinity utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk in its assessment of fair value.

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

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

Securities traded on a national securities exchange (or reported on the Nasdaq global market), such as fixed income securities, equities and equity mutual funds, are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1 in the fair value hierarchy.

Note 7. Investments and Fair Value Measurements (Continued)

Investments in alternative investment funds are comprised of private equity and hedge funds. These investments are valued at fair value based on the applicable percentage ownership of the net assets of each of the investment funds as of the measurement date. In determining fair value, Trinity utilizes, as a practical expedient, the net asset value (or equivalent) provided by the fund managers (NAV of Funds). The underlying investment funds value securities and other financial instruments at fair value. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective investment fund and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Trinity's estimates of fair value for Levels 2 and 3 may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of the alternative investment funds are audited annually by independent auditing firms.

Additionally, Trinity has investments in real estate through a controlling interest in HSP and 375 HSP, and through several wholly owned commercial real estate properties. Real estate investments are stated at fair value. The real estate and capital markets are cyclical in nature. Property and investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. As a result, determining real estate investment values involves many assumptions. Amounts ultimately realized from each investment may vary significantly from the fair value presented.

Since fair value measurements take into consideration the estimated effect of physical depreciation, depreciation and amortization on real estate related assets has been excluded from the net return from real estate investments. Significant betterments and improvements of the Properties are capitalized. Deferred expenses consisting of lease costs incurred in connection with obtaining new tenants or renewals of lease agreements are capitalized into real estate investments. Routine maintenance and repairs are charged to expense as incurred.

At December 31, 2019 and 2018, Trinity used the income approach to value the Properties with the exception of three of the development sites at December 31, 2019 (Two Hudson Square, 561 HH and 92 HH) and one of the development sites at December 31, 2018 (Two Hudson Square). The concluded values used in 2019 for Two Hudson Square was derived from a term sheet for a transaction anticipated to close in 2020. The values used for 561 HH and 92 HH were derived from deal terms for a transaction that closed in 2019 (see Note 1). The value used in 2018 for Two Hudson Square was based upon the term sheet value related to a transaction that ultimately fell through in 2019. The income approach estimates an income stream for a property and discounts this income plus a reversion (presumed sale) into a present value at a risk adjusted rate. Yield rates and growth assumptions utilized in this approach are derived from market transactions as well as other financial and industry data.

When discounted cash flows are used in determining fair value, management projects operating cash flows and market assumptions based on, but not limited to, the operating cash flows and financial performance of the Properties relative to budgets or projections, property types and geographical locations, the physical condition of the asset, prevailing market capitalization rates, prevailing market discount rates, general economic conditions, and other elements of the investments' revenues and expenses including rental rates, rental growth rates, tenant improvements, commissions, and operating expenses, deemed appropriate by management.

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements (Continued)

Considerable judgment is required in interpreting market data to determine the estimates of value; accordingly, the estimates of value presented in the financial statements are not necessarily indicative of the amount that Trinity could realize in a market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the fair values. The amounts ultimately realized by Trinity from the disposal of the Properties may vary significantly from the fair values presented.

At December 31, 2019 and 2018, all of Trinity's real estate investments were classified within Level 3 of the valuation hierarchy.

The following tables represent quantitative information about unobservable inputs related to the Level 3 fair value measurements of the Properties as of December 31, 2019 and 2018:

Joint Venture Real Estate (Income Capitalization Approach)

	Minimum	Maximum	Weighted Average
December 31, 2019:			
Terminal capitalization rates	5.05%	5.55%	5.28%
Discount rates	5.75%	7.00%	6.38%
December 31, 2018:			
Terminal capitalization rates	5.25%	5.75%	5.47%
Discount rates	6.35%	7.00%	6.59%

Development Sites (Sales Comparison Approach)

	Minimum	Maximum	Weighted Average
December 31, 2019:			
Sales price per square foot	$541	$843	$612
December 31, 2018:			
Sales price per square foot	$526	$1,073	$661

Ground Leases (Income Capitalization Approach)

	Assumed
December 31, 2019:	
Discount rates	6.00%
December 31, 2018:	
Discount rates	6.00%

Remainderman Interests (Income Capitalization Approach)

	Minimum	Maximum	Weighted Average
December 31, 2019:			
Terminal capitalization rates	6.75%	7.25%	7.04%
Discount rates	6.50%	8.00%	7.69%
December 31, 2018:			
Terminal capitalization rates	5.25%	5.75%	5.45%
Discount rates	6.35%	7.00%	6.63%

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements (Continued)

Assets carried at fair value at December 31, 2019 and 2018 are classified in the following tables in one of the three levels described earlier.

	2019				
	Level 1	Level 2	Level 3	Practical Expedient (Net Asset Value)[a]	Total
Financial investments:					
Cash and cash equivalents	$ 127,557	$ -	$ -	$ -	$ 127,557
Fixed income	373,622	-	-	19,727	393,349
Equities and equity mutual funds	921,943	-	-	799,733	1,721,676
Private equity funds:					
Oil and gas	-	-	-	3,379	3,379
Distressed	-	-	-	1,574	1,574
Venture capital	-	-	-	73,111	73,111
Commodities	-	-	-	1,187	1,187
Real estate	-	-	-	16,230	16,230
Growth	-	-	-	15,759	15,759
Buyout	-	-	-	70,658	70,658
Marketable alternatives:					
Multi-strategy	-	-	-	600,945	600,945
Distressed	-	-	-	536	536
Total financial investments	1,423,122	-	-	1,602,839	3,025,961
Real estate investments:					
Joint venture real estate investments	-	-	5,448,036	-	5,448,036
Trinity wholly owned real estate investments	-	-	765,800	-	765,800
Total real estate investments	-	-	6,213,836	-	6,213,836
Other:					
Beneficial interest in estate	-	-	269	-	269
Beneficial interest in perpetual trusts	-	-	1,199	-	1,199
Split interest agreements held by others	-	-	1,779	-	1,779
Total other	-	-	3,247	-	3,247
Total assets carried at fair value	$ 1,423,122	$ -	$ 6,217,083	$ 1,602,839	$ 9,243,044

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

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements (Continued)

	2018				
	Level 1	Level 2	Level 3	Practical Expedient (Net Asset Value)[(a)]	Total
Financial investments:					
Pending investments and distributions	$ 138,593	$ -	$ -	$ -	$ 138,593
Cash and cash equivalents	39,532	-	-	-	39,532
Fixed income	360,628	-	-	8,319	368,947
Equities and equity mutual funds	774,708	-	-	784,632	1,559,340
Private equity funds:					
Oil and gas	-	-	-	4,421	4,421
Distressed	-	-	-	2,145	2,145
Venture capital	-	-	-	24,265	24,265
Commodities	-	-	-	1,632	1,632
Real estate	-	-	-	1,319	1,319
Growth	-	-	-	4,191	4,191
Marketable alternatives:					
Multi-strategy	-	-	-	481,614	481,614
Distressed	-	-	-	726	726
Total financial investments	1,313,461	-	-	1,313,264	2,626,725
Real estate investments:					
Joint venture real estate investments	-	-	5,060,000	-	5,060,000
Trinity wholly owned real estate investments	-	-	777,000	-	777,000
Total real estate investments	-	-	5,837,000	-	5,837,000
Other:					
Beneficial interest in estate	-	-	296	-	296
Beneficial interest in perpetual trust	-	-	248	-	248
Total other	-	-	544	-	544
Total assets carried at fair value	$ 1,313,461	$ -	$ 5,837,544	$ 1,313,264	$ 8,464,269

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

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements (Continued)

Changes in assets measured at fair value using Level 3 inputs for the years ending December 31, 2019 and 2018 are as follows:

	2019					
	Balance January 1, 2019	Net Realized and Unrealized Gains (Losses) and Other Income	Purchases and Other Adjustments	Previously Unrealized Gain on Assets Contributed	Assets Contributed	Balance December 31, 2019
Real estate:						
Joint venture real estate	$ 5,060,000	$ (69,551)	$ 253,587	$ 198,283	$ 5,717	$ 5,448,036
Trinity wholly owned commercial real estate	777,000	184,317	8,483	(198,283)	(5,717)	765,800
Total real estate investments	5,837,000	114,766	262,070	-	-	6,213,836
Other	544	51	-	-	2,652	3,247
	$ 5,837,544	$ 114,817	$ 262,070	$ -	$ 2,652	$ 6,217,083

	2018			
	Balance January 1, 2018	Net Realized and Unrealized Gains (Losses) and Other Income	Purchases and Other Adjustments	Balance December 31, 2018
Real estate:				
Joint venture real estate	$ 4,705,000	$ 253,990	$ 101,010	$ 5,060,000
Trinity wholly owned commercial real estate	1,268,000	(16,491)	(474,509)	777,000
Total real estate investments	5,973,000	237,499	(373,499)	5,837,000
Other	607	(28)	(35)	544
	$ 5,973,607	$ 237,471	$ (373,534)	$ 5,837,544

The contribution of the EFY was recognized as a reorganization of entities under common control and, accordingly, the cost basis reflects Trinity's historical cost carrying amount. The fair value of the contribution includes previously unrealized gain on assets recorded by Trinity.

The fair value of the joint venture real estate investment at December 31, 2019 includes an adjustment of $113,036 to the fair value derived using a discounted cash flow of $1,065,000. The adjustment represents future payouts of tenant allowances included in the discounted cash flow which lowers the real estate investment value. Additionally, the future tenant allowance payouts are included in accounts payable and accrued liabilities on the consolidated balance sheet at December 31, 2019, which lowers the net asset value of the joint venture real estate. The adjustment increases the real estate investment fair value at December 31, 2019 to offset the decrease in net asset value of the joint venture real estate related to the future payments included in accounts payable and accrued liabilities on the accompanying consolidated balance sheets.

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements (Continued)

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

	2019		2018		
	Fair Value	Unfunded Commitments	Fair Value	Redemption Frequency [e]	Redemption Notice Period
Fixed income	$ 19,727	$ 81,689	$ 8,319	Illiquid [a]	N/A [a]
Equities and equity mutual funds	799,733	60,000	784,632	Varies [b]	3 to 90 days [b]
Private equity funds:					
Oil and gas	3,379	335	4,421	Illiquid	N/A
Distressed	1,574	1,957	2,145	Illiquid	N/A
Venture capital	73,111	74,932	24,265	Illiquid	N/A
Commodities	1,187	219	1,632	Illiquid	N/A
Real estate	16,230	27,345	1,319	Illiquid	N/A
Growth	15,759	48,109	4,191	Illiquid	N/A
Buyout	70,658	161,313	-	Illiquid	N/A
Marketable alternatives:					
Multi-strategy	600,945	47,945	481,614	Varies [c][d]	3 to 90 days [c]
Distressed	536	-	726	Illiquid [d]	N/A
Total	$ 1,602,839	$ 503,844	$ 1,313,264		

(a) 2019: Redemption frequency is permitted as follows: $19.7 million illiquid.
2018: Redemption frequency is permitted as follows: $8.3 million illiquid.

(b) 2019: Redemption frequency is permitted as follows: $295.7 million monthly, $317.7 million quarterly and $186.4 million annually. Redemption notice periods are as follows: $139.4 million, 10 days' notice; $129.5 million, 15 days' notice; $130.7 million, 30 days' notice; $35.2 million, 45 days' notice; $143.8 million, 60 days' notice; $221.3 million, 90 days' notice.

2018: Redemption frequency is permitted as follows: $178.4 million daily, $216.6 million monthly, $233.1 million quarterly and $156.6 million annually. Redemption notice periods are as follows: $87.9 million, 3 days' notice; $201.5 million, 10 days' notice; $105.6 million, 15 days' notice; $100.4 million, 30 days' notice; $32.3 million, 45 days' notice; $108.5 million, 60 days' notice; $148.5 million, 90 days' notice.

(c) 2019: Redemption frequency is permitted as follows: $420.1 million quarterly, $41.6 million semi-annually, $1.2 million annually, and $138.1 million illiquid. Redemption notice periods are as follows: $95.2 million, 30 days' notice; $71 million, 45 days' notice; $235.9 million, 60 days' notice; $60.7 million, 90 days' notice; $138.1 million, illiquid.

2018: Redemption frequency is permitted as follows: $13.7 million monthly, $357 million quarterly, $66.7 million semi-annually, $11.1 million annually, and $33.2 million illiquid. Redemption notice periods are as follows: $93.8 million, 30 days' notice; $85.6 million, 45 days' notice; $227.1 million, 60 days' notice; $41.9 million, 90 days' notice; $33.2 million, illiquid.

(d) 2019: Investments totaling $4.8 million have been fully redeemed and proceeds are expected to be received in 2020.
2018: Investments totaling $726 thousand have been fully redeemed and proceeds are expected to be received in 2019 and 2020.

(e) 2019: Certain investments have lock-up periods that expire within 24 months. $44 million of investments have lock-up periods that expire within 0-12 months, and $40 million of investments have lock-up periods that expire within 13 – 24 months.
2018: Certain investments have lock-up periods that expire within 24 months. $185 million of investments have lock-up periods that expire within 0-12 months, and $44 million of investments have lock-up periods that expire within 13 – 24 months.

(all dollar amounts in thousands unless otherwise indicated)

Note 7. Investments and Fair Value Measurements (Continued)

ASU 2018-13 requires that Trinity disclose the period of time over which the underlying assets of non-redeemable private equity funds (PE funds) are expected to be liquidated by the PE Funds only if the PE Fund has communicated the timing to Trinity or announced the timing publicly. As of December 31, 2019, the timing of the liquidations of all of the PE Funds in which Trinity is invested in is unknown.

Note 8. Minimum Future Rental Commitments from Real Estate Tenants

Trinity has commitments from existing tenants under noncancelable leases expiring through January 31, 2043. Future minimum rental income related to its commercial property and ground leases subsequent to December 31, 2019 as follows:

Years ending December 31:	
2020	$ 297,623
2021	310,245
2022	297,452
2023	266,947
2024	246,115
Thereafter	2,079,257
	$ 3,497,639

Future minimum rental income excludes amounts to be received for real estate tax, Consumer Price Index escalations and additional rents related to ground leases, which are all contingent upon future economic events.

Note 9. Ministry Property and Equipment

Ministry property and equipment consists of the following:

	2019	2018
Land	$ 37,292	$ 1,692
Building and building improvements	122,995	97,402
Furniture, fixtures and equipment	23,919	15,414
	184,206	114,508
Less accumulated depreciation and amortization	(72,237)	(57,611)
Subtotal	111,969	56,897
Construction-in-progress	361,975	180,884
Ministry property and equipment, net	$ 473,944	$ 237,781

Certain costs pertaining to the decision to demolish and rebuild a new parish building at 76 Trinity Place are reflected as parish building development in the consolidated statements of activities. In November 2019, Trinity opened certain floors comprising its staff offices. The entire building is expected to be substantially completed in 2020.

(all dollar amounts in thousands unless otherwise indicated)

Note 9. Ministry Property and Equipment (Continued)

Construction-in-progress contains costs for both Trinity ministry property as well as planned commercial real estate. Once the parish building is placed in service, the cost attributable to commercial real estate will be transferred to investment in commercial real estate. The estimated amount of costs attributable to the commercial portion is $114,197 and $71,095 at December 31, 2019 and 2018, respectively.

Note 10. Net Assets

The following tables summarize the changes in net assets without donor restrictions during the years ended 2019 and 2018:

	2019				
		Endowment		Attributable to	
	Ministry	Real Estate Investments	Financial Investments	Joint Venture Partners' Interests	Total
Balance, beginning of year	$ 159,491	$ 3,171,946	$ 2,610,758	$ 2,307,283	$ 8,249,478
Change in net assets:					
Received from joint venture partners	-	(99,710)	99,960	122,990	123,240
Distributions to joint venture partners	-	(28)	-	(45,126)	(45,154)
Investment return	-	253,411	441,789	63,459	758,659
Contribution of net assets upon affiliation	39,277	-	-	-	39,277
Other	(86,084) [(a)]	-	-	-	(86,084)
Appropriated to Ministry from endowment and other transfers	181,374	(10,919)	(170,455)	-	-
Balance, end of year	$ 294,058	$ 3,314,700	$ 2,982,052	$ 2,448,606	$ 9,039,416

[(a)] Change in net assets for Ministry includes $(1,919) of costs for parish building development and postretirement charges other than service costs of $(1,146).

	2018				
		Endowment		Attributable to	
	Ministry	Real Estate Investments	Financial Investments	Joint Venture Partners' Interests	Total
Balance, beginning of year	$ 82,251	$ 3,526,142	$ 2,242,612	$ 2,143,397	$ 7,994,402
Change in net assets:					
Purchase of real estate	-	(168,631)	168,631	-	-
Received from joint venture partners	-	-	360	-	360
Distributions to joint venture partners	-	-	-	(42,676)	(42,676)
Investment return	-	370,655	(215,488)	206,562	361,729
Other	(64,337) [(a)]	-	-	-	(64,337)
Appropriated to Ministry from endowment and other transfers	141,577	(556,220)	414,643	-	-
Balance, end of year	$ 159,491	$ 3,171,946	$ 2,610,758	$ 2,307,283	$ 8,249,478

[(a)] Change in net assets for Ministry includes $(1,437) of costs for parish building development and postretirement charges other than service costs of $957.

(all dollar amounts in thousands unless otherwise indicated)

Note 10. Net Assets (Continued)

Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Subject to appropriation and expenditure when a specific event occurs:		
Music	$ 3,746	$ 3,262
Education	2,616	1,099
Other	549	456
	6,911	4,817
Subject to the passage of time:		
Beneficial interest in estate	269	296
	269	296
Subject to Trinity's spending policy and appropriation:		
Investments in perpetuity (including original gift amount of $24,352 and $1,802 as of December 31, 2019 and 2018) and the investment income from which is expendable to support:		
Cemetery	653	557
Education	26,926	2,382
Medical	1,065	908
Other	848	733
	29,492	4,580
Not subject to spending policy or appropriations:		
Beneficial interest in perpetual trust	1,199	248
Split interest agreements held by others	1,779	-
Total net assets with donor restrictions	$ 39,650	$ 9,941

Trinity's Vestry has designated certain net assets without donor restrictions for the following purposes as of December 31:

	2019	2018
Vestry designated for endowment purposes	$ 6,296,752	$ 5,782,704

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

	2019	2018
Music	$ 86	$ 173
Education	859	76
Other	59	396
Ministry programs	$ 1,004	$ 645

(all dollar amounts in thousands unless otherwise indicated)

Note 11. Tenant Security Deposits

Tenant security deposits include cash deposits held in interest-bearing trust accounts at financial institutions on behalf of tenants to secure obligations under terms of the leases. In addition, in lieu of cash deposits, certain tenants have elected to provide irrevocable letters of credit naming Trinity as beneficiary. These letters of credit also act as security pursuant to obligations under the terms of the lease agreements and total $69,303 and $66,553 at December 31, 2019 and 2018, respectively.

Note 12. Employee Benefits and Other Postretirement Plans

Trinity sponsors two defined contribution pension plans covering all eligible employees other than clergy. Contributions are based on 5% of each covered employee's salary in 2019 and 2018 and totaled $1,086 and $907, respectively.

Trinity sponsors two thrift plans as supplemental plans for the above two defined contribution plans, which cover certain employees and clergy. Contributions by employees are matched at the discretion of the Vestry. Trinity contributed $888 and $684 in 2019 and 2018, respectively, which represent up to 5% of each covered employee's salary in each year.

Trinity provides certain postretirement health and life insurance benefits for retired employees and certain dependents, as these employees become eligible. The plan was amended in 2000, effective January 1, 2001, such that these benefits are not available to new employees and their dependents. In addition, benefits were modified for current employees and retirees.

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

	Postretirement Health and Life Insurance Benefits	
	2019	2018
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 7,147	$ 8,363
Service cost	72	90
Interest cost	272	263
Benefits paid	(363)	(375)
Plan participant contributions	27	26
Actuarial (gain) loss	874	(1,220)
Benefit obligation, end of year	8,029	7,147
Change in plan assets:		
Employer contributions	336	349
Plan participant contributions	27	26
Benefits paid	(363)	(375)
	-	-
Funded status, end of year and amounts recognized as liability in consolidated balance sheets	$ (8,029)	$ (7,147)

(all dollar amounts in thousands unless otherwise indicated)

Note 12. Employee Benefits and Other Postretirement Plans (Continued)

Net periodic benefit cost includes the following components:

	Postretirement Health and Life Insurance Benefits	
	2019	2018
Service cost	$ 72	$ 90
Interest cost	272	263
Amortization of net gain	(116)	-
Net benefit periodic cost	$ 228	$ 353

Other changes in benefit obligations recognized in changes in net assets without donor restrictions for the years ended December 31, 2019 and 2018 are sensitive to expected discount rate assumptions, plan participants and assumptions regarding the costs to purchase annuities and future healthcare costs. These changes consist of the following:

	Postretirement Health and Life Insurance Benefits	
	2019	2018
Net unrecognized gain (loss) and prior service credit (cost), beginning of year	$ 1,288	$ 68
Actuarial gain (loss)	(990)	1,220
Net unrecognized gain and prior service credit end of year	$ 298	$ 1,288

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

	Postretirement Health and Life Insurance Benefits	
	2019	2018
Discount rate	3.25%	4.00%
Rate of compensation increase	N/A	N/A
Initial medical trend rate	6.25%	6.50%
Ultimate medical trend rate	4.75%	4.75%
Year of ultimate trend	2025	2025

(all dollar amounts in thousands unless otherwise indicated)

Note 12. Employee Benefits and Other Postretirement Plans (Continued)

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

	Postretirement Health and Life Insurance Benefits	
	2019	2018
Discount rate	4.00%	3.50%
Rate of compensation increase	N/A	N/A
Expected long-term return on plan assets	N/A	N/A
Initial medical trend rate	6.50%	6.75%
Ultimate medical trend rate	4.75%	4.75%
Year of ultimate trend	2025	2025

At December 31, 2019, the Pri-2012 White Collar with Scale MP 2019 was used for the mortality assumptions. At December 31, 2018, the RP 2014 Total Dataset (adjusted to 2006) with Scale MP 2018 was used for the mortality assumptions.

The healthcare cost trend rate assumption has a significant effect on the amounts reported. For the year ended December 31, 2019, the effect of a 1% increase (decrease) in the assumed healthcare trend cost rates on the aggregate of the service and interest cost components of net periodic postretirement healthcare benefit cost and the accumulated postretirement benefit obligation for healthcare benefits is as follows:

	1% Increase	1% Decrease
Interest and service cost	$ 59	$ (47)
Accumulated postretirement benefit obligation	1,313	(1,057)

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

	Postretirement Health and Life Insurance Benefits
Years ending December 31:	
2020	$ 369
2021	375
2022	381
2023	366
2024	369
2025 - 2029	1,920
	$ 3,780

(all dollar amounts in thousands unless otherwise indicated)

Note 12. Employee Benefits and Other Postretirement Plans (Continued)

Trinity expects to contribute $369 to its postretirement health and life insurance benefit plan in 2020.

The clergy employees of Trinity are participants in a defined benefit pension plan sponsored by the National Episcopal Church. Contributions are based upon a percentage of salaries and housing allowances and totaled $500 and $501 in 2019 and 2018, respectively.

Note 13. Notes and Loans, Net

On August 15, 2017, 375 HH assumed a mortgage loan in the amount of $400,000 to partially fund the acquisition of the building at 375 Hudson. The loan bears a fixed interest at 3.493% per annum, is secured by the leasehold and estate for years interest in the building and requires monthly interest only payments through maturity on September 6, 2027. The note payable balance as of December 31, 2019 and 2018 is as follows:

	2019	2018
Total principal outstanding	$ 400,000	$ 400,000
Unamortized deferred financing charges	(3,502)	(3,958)
Note payable, net	$ 396,498	$ 396,042

Deferred financing costs were incurred in obtaining the note payable. During the year ended December 31, 2017, $4,595 was capitalized as deferred financing costs. These costs are amortized into interest expense on a straight-line basis over the life of the related debt, which approximates the effective interest method. Amortization of deferred financing costs was $456 for the years ended December 31, 2019 and 2018. The balance of deferred financing costs as of December 31, 2019 and 2018 is $3,502 and $3,958, respectively, and is included in notes and loans, net on the accompanying consolidated balance sheets.

The mortgage loan requires that 375 HH complies with certain customary financial and non-financial covenants. 375 HH has received a waiver from the lender for certain covenants which it currently does not satisfy. 375 HH is in compliance with all remaining debt covenants contained in the loan agreement at December 31, 2019.

On November 12, 2019, the REIT subsidiaries closed on a $250,000 revolving credit facility guaranteed by HSP and secured by a pledge by HSP of the equity interest in the REIT subsidiaries. The facility can be drawn and paid down at any time before maturity on November 11, 2021 with five one-year extension options. The facility has a variable interest rate of London Interbank Offered Rate (LIBOR) plus 100 basis points with an unused facility fee of 10 basis points of the undrawn amount. There was no loan outstanding under the facility at December 31, 2019. The REIT subsidiaries incurred unused fees of $35 for the year ended December 31, 2019 which is included in the net return from real estate investments line on the accompanying consolidated statements of activities.

The credit facility requires that the REIT subsidiaries comply with certain customary financial and non-financial covenants. Trinity is not aware of any instances of noncompliance with financial and non-financial covenants as of December 31, 2019.

Note 13. Notes and Loans, Net (Continued)

On October 31, 2019, 561 HH closed on a $250,000 revolving credit facility guaranteed by Trinity. The facility required an upfront commitment fee of $875 which has been reflected as investment in real estate in the financial statements. The facility can be drawn and paid down at any time prior to expiry on October 31, 2022 when it matures and any amounts outstanding will be payable. Borrowing proceeds will be used to finance development of a new office building at 561 Greenwich Street, NY, NY. The facility has a variable interest rate of LIBOR plus 50 basis points. Outstanding loans under this facility were $1,000 at December 31, 2019. The interest rate under this facility was 2.24% at December 31, 2019.

Trinity Church has two $25,000 unsecured committed revolving credit facilities. The facilities were renewed in February 2020 and January 2020, and can be drawn and paid down at any time until November 2022, when they mature and any amounts outstanding will be payable. The facilities have variable interest rates of LIBOR plus 50 basis points for LIBOR based loans or prime for prime rate-based loans. There were no loans outstanding under these facilities at December 31, 2019 and 2018.

Trinity Church also entered into a $75,000 unsecured committed revolving credit facility during 2017. This credit facility was amended on August 22, 2018, increasing the committed amount to $200,000 and changed the maturity date to November 22, 2019. The facility has variable interest rates of LIBOR plus 35 basis points for LIBOR based loans or prime minus 200 basis points for prime rate-based loans. The facility was amended on October 22, 2019, extending the maturity to February 21, 2020. Outstanding loans under this facility were $173,170 and $77,400 at December 31, 2019 and 2018, respectively. The interest rate under this facility was 2.15% and 2.82% at December 31, 2019 and 2018, respectively. This facility was paid off with an amortizing term loan dated February 11, 2020.

On February 11, 2020 Trinity Church entered into a $205,000 15-year fixed rate fully amortizing term loan at an interest rate of 2.60%. The loan has fixed monthly payments of $1,377 and matures on January 31, 2035. $176,772 of the loan proceeds were used to pay off the full amount of outstanding principal and accrued interest on the $200,000 revolving credit facility maturing on February 21, 2020.

The credit agreements have various covenants including the maintenance of unencumbered liquid assets at the last day of the second quarter and the last day of each fiscal year in an amount at least equal to $300,000 for the two $25,000 facilities and as guarantor of the $250,000 credit facility at 561 HH. The $205,000 term loan which closed on February 11, 2020 has a $550,000 minimum unencumbered liquid asset requirement, which declines over the 15-year loan term to $100,000 as the loan principal is paid down to zero at its maturity.

Trinity has complied with all the bank covenants in 2019 and 2018.

CDSP has three loans with an outstanding balance at December 31, 2019 aggregating to $1,447. CDSP has a term note payable with First Republic Bank with $49 outstanding at December 31, 2019. The original amount of the note totaled $1,725 and has a fixed interest rate of 4.75%. Principal and interest payments are due monthly with the final payment due on February 15, 2020. Subsequent to year end, the loan was paid in full.

The term note requires that CDSP satisfy certain financial and reporting covenants. CDSP is not aware of any instances of noncompliance with financial and non-financial covenants as of December 31, 2019.

In July 2015, CDSP entered into a $1,000 interest-free loan with a third party to be used for support of facilities and certain administrative transitional costs. The effective interest rate for the loan is 5%. The interest free loan payments commence on July 30, 2021 and will be paid in full by July 30, 2028. At December 31, 2019, the outstanding balance of $643 is net of discounts of $157.

Note 13. Notes and Loans, Net (Continued)

As part of the lease agreement with the University of California Berkeley (UCB), CDSP received a financial arrangement from UCB to provide up to $1,650 of financing for the tenant improvements to the leased property. The effective interest rate for the financial arrangement is 5%. At December 31, 2019, the outstanding balance of $755 is net of discounts of $70.

Annual maturities of the CDSP loans payable and financial arrangement for next five years subsequent to December 31, 2019 are: 2020 - $250; 2021 - $280; 2022 - $295; 2023 - $191; 2024 - $78; and thereafter - $353.

Note 14. Related Party Transactions

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

The amounts paid to HILP for the property and asset management of the 12 properties was $15,807 and $15,549 in 2019 and 2018, respectively. These amounts are reflected within the net return from real estate investments line on the accompanying consolidated statements of activities.

Trinity has development management agreements with HILP to serve as the development manager at 561 HH and 92 HH. In addition, the development management agreements provide for reimbursement of certain costs related to the development of the properties.

The amounts paid to HILP for the development management of the 561 HH and 92 HH properties was $3,473 in 2019. These amounts are reflected within the net return from real estate investments line on the accompanying consolidated statements of activities.

Trinity Church has a Vestry member who serves as the Chief Executive Officer and a trustee of the Church Pension Fund which provides retirement benefits for the clergy as well as medical benefits to employees of Trinity Church. (See Note 12)

Note 15. Commitments and Contingencies

TREIT and THH had agreements to purchase electricity from Direct Energy which expired in May 2019 and June 2019, respectively. TREIT and THH have new agreements to purchase electricity from Constellation commencing May 2019 and expiring December 2021. The pricing is based upon a fixed rate.

TREIT and THH had agreements to purchase gas from East Coast Power and Gas, which expired in April 2019. TREIT and THH have new agreements to purchase gas from Plymouth Rock commencing May 2019 and expiring April 2022. The pricing is based upon a fixed rate.

375 HH had an agreement to purchase electricity from Direct Energy which expired in December 2019. A new agreement was signed to purchase electricity from Direct Energy which will expire in November 2021. The pricing is based upon a fixed rate.

Trinity enters into multi-year contracts to cover the cleaning, maintenance and security for the properties of the ministry (the ministry properties) which are cancellable upon 30 days' notice. Trinity Church has various commitments related to upkeep on the ministry properties. These contracts are funded predominantly through normal operating cash flow and supplemental borrowing as needed.

(all dollar amounts in thousands unless otherwise indicated)

Note 15. Commitments and Contingencies (Continued)

Trinity Church has entered into and is negotiating multi-year contracts with architects and contractors related to the development of the 76 Trinity Place parish building, which will house Trinity's congregational space, ministry offices, a gym and commercial tenants. As of December 31, 2019, Trinity Church has $21,135 in outstanding commitments related to the 76 Trinity Place parish building development and Trinity Church has $54,384 in outstanding commitments related to the Trinity Church master plan renovation.

Trinity Church has a noncancelable lease with future minimum rental payments as follows:

Years ending December 31:		
2020	$	619
2021		637
2022		656
2023		676
2024		696
Thereafter		3,266
	$	6,550

The total rent expense included as ministry expenses in the consolidated statements of activities for the years ended December 31, 2019 and 2018 on a straight-line basis was $3,386 and $3,651, respectively.

Trinity Church entered into an agreement to sell all of the assets of the Trinity Church Preschool to a third party with a closing expected to occur in August 2020. It is expected that the lease for Trinity's preschool will be assigned to the purchaser. Trinity Church will remain the primary obligor on this lease.

Trinity Church has guaranteed payments required related to a loan made by a bank to the former Rector in connection with the purchase of his home. The guarantee is limited to the principal amount of $940 and accrued interest until the final payment is due in August 2020.

Trinity, as an owner of real estate, is subject to various environmental laws of the federal and local governments. Compliance by Trinity with existing laws has not had a material adverse effect on Trinity's financial position and changes in net assets, and management does not believe it will have such an impact in the future. However, Trinity cannot predict the impact of new or changed laws or regulations on its properties.

Consistent with many leases, there are commitments for lease and tenant-related work outstanding at any point in time. As of December 31, 2019, amounts of $1,676 and $117,929 were accrued for landlord- and tenant-related work, respectively, required by the lease agreements. As of December 31, 2018, amounts of $3,387 and $42,097 were accrued for landlord- and tenant-related work, respectively, required by the lease agreements.

Trinity is not aware of any pending or threatened litigation other than litigation arising out of the normal course of business, which is expected to be covered by liability insurance. None of such litigation is expected to have a material adverse effect on its financial position, changes in net assets or cash flows.

(all dollar amounts in thousands unless otherwise indicated)

Note 16. Risks and Concentrations

Concentration of credit risk: Financial instruments, which potentially subject Trinity to concentrations of credit risk, consist of cash and cash equivalents and tenant security deposits.

Trinity places its cash and cash equivalents and tenant security deposits with creditworthy, high-quality financial institutions which, at times, may exceed federally insured limits. Trinity has not experienced any losses in these accounts and management believes that this risk is not significant.

Market risk of investment portfolio: Market risk represents the potential loss that can be caused by a change in the market value of the financial instrument. Trinity's exposure to market risk is determined by a number of factors, including interest rates and market volatility. Trinity attempts to minimize exposure to such risks by diversifying its portfolio and the active monitoring and oversight of risks by an internal investment management team.

Real estate-related concentration: Trinity's real estate investments are predominantly located in lower Manhattan within the area known as Hudson Square. Leasing-related revenue is derived principally through rental payments as provided for under the terms of the respective noncancelable operating leases. For the year ended December 31, 2019, one tenant accounted for more than 10% of rental revenue. No tenants accounted for more than 10% of leasing related revenue for the year ended December 31, 2018.

Note 17. Functional Allocation of Expenses

Trinity's primary program service is ministry activities. Natural expenses attributable to more than one functional expense category have been allocated reasonably and consistently using a variety of cost allocation techniques such as square footage and time and effort.

Expenses by functional classification for the years ended 2019 and 2018 consist of the following:

	2019				
	Program Activities	Parish Building Development	Institutional and Programmatic Support	Fund Development	Total Expenses
Compensation	$ 26,571	$ 1,732	$ 13,136	$ 116	$ 41,555
Grants and other gifts	21,597	3	(30)	-	21,570
Occupancy cost	11,532	61	1,031	2	12,626
Professional fees	4,478	32	3,631	205	8,346
Depreciation	5,312	13	393	41	5,759
Supplies, services and other	11,801	89	3,073	57	15,020
Total ministry expenses	$ 81,291	$ 1,930	$ 21,234	$ 421	$ 104,876

	2018				
	Program Activities	Parish Building Development	Institutional and Programmatic Support	Fund Development	Total Expenses
Compensation	$ 20,106	$ 1,209	$ 9,311	$ 14	$ 30,640
Grants and other gifts	14,749	-	8	-	14,757
Occupancy cost	11,301	70	1,111	21	12,503
Professional fees	3,575	33	2,030	-	5,638
Depreciation	7,253	31	323	-	7,607
Supplies, services and other	10,772	125	2,163	9	13,069
Total ministry expenses	$ 67,756	$ 1,468	$ 14,946	$ 44	$ 84,214

(all dollar amounts in thousands unless otherwise indicated)

Note 18. Affiliation

Church Divinity School of the Pacific: On March 4, 2019, Trinity Church, through Trinity Global, became the sole member of CDSP. Under the terms of the agreement, CDSP's Board of Trustees approved amendments to the By-Laws and Articles of Incorporation of CDSP providing Trinity Global with the authority to appoint and remove the members of the CDSP Board.

Under the agreement, Trinity will provide support to help build on CDSP's historic strength as a seminary, and its Vestry will become the members of CDSP's governing body. CDSP will continue to be dedicated to rigorous academic and spiritual preparation for people who will lead the global church. Over time, Trinity and CDSP expect to enhance CDSP's curriculum and student life with substantial content and perspectives from other disciplines, including practical, managerial, and business skills that will help prepare ordained and lay people to lead and resource the church in a changing world.

For accounting purposes, Trinity accounted for this transaction as an acquisition under U.S. GAAP and recorded a contribution of net assets at fair value totaling $66,028 effective March 4, 2019. As part of the affiliation agreement, Trinity agreed to contribute $6,830 to CDSP to repay an endowment loan. This contribution was recorded immediately before the acquisition date, as Trinity would be retaining control over these transferred assets and thus, they have been included in the value of assets acquired. A summary of the fair value of the assets, liabilities and net assets of CDSP at March 4, 2019 is as follows:

Assets	
Cash and cash equivalents	$ 178
Ministry property and equipment, net	40,963
Investments, at fair value:	
Financial	16,077
Other assets	11,352
Total assets	$ 68,570
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued liabilities	213
Notes and loans, net	1,854
Other liabilities	475
Total liabilities	2,542
Net assets:	
Without donor restrictions	39,277
With donor restrictions	26,751
Total net assets	66,028
Total liabilities and net assets	$ 68,570

Note 19. Subsequent Events

Trinity evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was May 27, 2020 for these financial statements.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, Trinity is unable to determine if it will have a material impact to its operations and is therefore not included therein.

Loans amounting to $173 outstanding at December 31, 2019 have been subsequently repaid or refinanced.