

# **Saint Thomas Church**

Financial Statements

December 31, 2021

## **Independent Auditors' Report**

### **To the Vestry of Saint Thomas Church**

We have audited the accompanying financial statements of Saint Thomas Church (the "Church"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Church as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Church's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

July 27, 2022

## Saint Thomas Church

Statement of Financial Position  
December 31, 2021  
(with comparative amounts at December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 1,338,845	\$ 4,717,433
Pledges receivable, annual campaign, net	1,052,940	711,069
Bequest receivable	-	655,742
Investment proceeds and interest receivable	3,857,375	482,457
Prepaid expenses and other assets	342,596	64,463
Investments	144,041,096	129,133,879
Restricted investments	10,439,710	10,245,474
Beneficial interest in perpetual trust	3,933,539	3,737,611
Property and equipment, net	<u>51,861,268</u>	<u>54,300,796</u>
	<u>\$ 216,867,369</u>	<u>\$ 204,048,924</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, accrued expenses and other liabilities	\$ 1,724,682	\$ 1,876,383
Investment purchases payable	-	468,385
Paycheck Protection Program loan payable	<u>834,497</u>	<u>1,209,875</u>
Total Liabilities	<u>2,559,179</u>	<u>3,554,643</u>
Net Assets		
Without donor restrictions	144,229,813	138,710,950
With donor restrictions	<u>70,078,377</u>	<u>61,783,331</u>
Total Net Assets	<u>214,308,190</u>	<u>200,494,281</u>
	<u>\$ 216,867,369</u>	<u>\$ 204,048,924</u>

See notes to financial statements

## Saint Thomas Church

### Statement of Activities

Year Ended December 31, 2021

(with summarized totals for the year ended December 31, 2020)

	Without Donor Restrictions			Total	With Donor Restrictions	2021 Total	2020 Total
	Church	Choir School	Designated by Air Rights Sale				
<b>PUBLIC SUPPORT AND REVENUE</b>							
EMC annual campaign	\$ 179,754	\$ -	\$ -	\$ 179,754	\$ 1,308,375	\$ 1,488,129	\$ 1,212,975
Contributions, other	1,091,984	139,959	-	1,231,943	468,140	1,700,083	1,524,988
Plate offerings	72,783	-	-	72,783	-	72,783	31,791
Bequests	10,103	730,208	-	740,311	50,000	790,311	3,812,498
Allocated investment income (up to 5% spend rate)	852,633	334,900	733,250	1,920,783	279,217	2,200,000	6,309,056
Other income, net of scholarships of \$252,543 in 2021 and \$106,333 in 2020	274,424	197,115	-	471,539	-	471,539	347,714
Satisfaction of program and time restrictions	983,088	402,360	-	1,385,448	(1,385,448)	-	-
Total Public Support and Revenue	<u>3,464,769</u>	<u>1,804,542</u>	<u>733,250</u>	<u>6,002,561</u>	<u>720,284</u>	<u>6,722,845</u>	<u>13,239,022</u>
<b>EXPENSES</b>							
Program Services							
Ministry	5,117,440	-	-	5,117,440	-	5,117,440	4,876,573
Music	1,371,249	-	-	1,371,249	-	1,371,249	1,636,129
Diocesan assessment	885,624	-	-	885,624	-	885,624	1,489,432
Grants	364,463	-	-	364,463	-	364,463	399,984
Educational	-	2,238,184	-	2,238,184	-	2,238,184	1,663,725
Total Program Services	<u>7,738,776</u>	<u>2,238,184</u>	<u>-</u>	<u>9,976,960</u>	<u>-</u>	<u>9,976,960</u>	<u>10,065,843</u>
General and administrative	1,623,928	1,278,615	-	2,902,543	-	2,902,543	3,157,082
Fundraising	532,821	-	-	532,821	-	532,821	552,823
Total Supporting Services	<u>2,156,749</u>	<u>1,278,615</u>	<u>-</u>	<u>3,435,364</u>	<u>-</u>	<u>3,435,364</u>	<u>3,709,905</u>
Total Expenses	<u>9,895,525</u>	<u>3,516,799</u>	<u>-</u>	<u>13,412,324</u>	<u>-</u>	<u>13,412,324</u>	<u>13,775,748</u>
Change in Net Assets Before Non-Operating Activity	<u>(6,430,756)</u>	<u>(1,712,257)</u>	<u>733,250</u>	<u>(7,409,763)</u>	<u>720,284</u>	<u>(6,689,479)</u>	<u>(536,726)</u>
<b>NON OPERATING ACTIVITY</b>							
Forgiveness of paycheck protection program loan	1,209,875	-	-	1,209,875	-	1,209,875	-
Loss on disposal of property and equipment	(217,429)	(167,945)	-	(385,374)	-	(385,374)	-
Change in beneficial interest in perpetual trust	-	-	-	-	195,928	195,928	190,024
Income from perpetual trust	240,000	-	-	240,000	-	240,000	192,000
Investment income, net of operating allocation	3,312,358	1,764,975	6,786,792	11,864,125	7,378,834	19,242,959	4,039,347
Investment income (excess over 5% spend rate)	-	-	-	-	-	-	662,353
Total Non Operating Activity	<u>4,544,804</u>	<u>1,597,030</u>	<u>6,786,792</u>	<u>12,928,626</u>	<u>7,574,762</u>	<u>20,503,388</u>	<u>5,083,724</u>
Change in Net Assets	<u>(1,885,952)</u>	<u>(115,227)</u>	<u>7,520,042</u>	<u>5,518,863</u>	<u>8,295,046</u>	<u>13,813,909</u>	<u>4,546,998</u>
<b>NET ASSETS</b>							
Beginning of year	<u>69,754,036</u>	<u>21,842,486</u>	<u>47,114,428</u>	<u>138,710,950</u>	<u>61,783,331</u>	<u>200,494,281</u>	<u>195,947,283</u>
End of year	<u>\$ 67,868,084</u>	<u>\$ 21,727,259</u>	<u>\$ 54,634,470</u>	<u>\$ 144,229,813</u>	<u>\$ 70,078,377</u>	<u>\$ 214,308,190</u>	<u>\$ 200,494,281</u>

See notes to financial statements

## Saint Thomas Church

### Statement of Functional Expenses Year Ended December 31, 2021 (with summarized totals for the year ended December 31, 2020)

	Program Services					Supporting Services				2021 Total	2020 Total
	Ministry	Music	Diocesan Assessment	Grants	Educational	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries and wages	\$ 1,372,305	\$ 672,589	\$ -	\$ -	\$ 979,584	\$ 3,024,478	\$ 1,628,538	\$ 271,255	\$ 1,899,793	\$ 4,924,271	\$ 4,525,791
Employee benefits	574,529	200,247	-	-	181,018	955,794	438,748	134,159	572,907	1,528,701	1,791,486
Grants and community services	55,691	-	-	364,463	-	420,154	-	-	-	420,154	399,984
Professional services	169	62,091	-	-	325	62,585	176,960	-	176,960	239,545	203,532
Insurance	190,332	28,376	-	-	75,013	293,721	21,816	1,216	23,032	316,753	323,374
Legal	-	-	-	-	-	-	314,621	-	314,621	314,621	222,774
Information technology, website	65,201	2,392	-	-	-	67,593	55,371	27,089	82,460	150,053	292,222
Printing, advertising, promotion	26,551	41,937	-	-	746	69,234	5,340	18,810	24,150	93,384	56,803
Diocesan assessment	-	-	885,624	-	-	885,624	-	-	-	885,624	1,489,432
Services, supplies, other	397,395	150,626	-	-	325,680	873,701	145,381	28,312	173,693	1,047,394	1,132,533
Occupancy, building services, supplies, repairs, and depreciation	2,435,267	212,991	-	-	675,818	3,324,076	115,768	51,980	167,748	3,491,824	3,337,817
<b>Total Expenses</b>	<b>\$ 5,117,440</b>	<b>\$ 1,371,249</b>	<b>\$ 885,624</b>	<b>\$ 364,463</b>	<b>\$ 2,238,184</b>	<b>\$ 9,976,960</b>	<b>\$ 2,902,543</b>	<b>\$ 532,821</b>	<b>\$ 3,435,364</b>	<b>\$ 13,412,324</b>	<b>\$ 13,775,748</b>

See notes to financial statements

## Saint Thomas Church

### Statement of Cash Flows Year Ended December 31, 2021 (with comparative amounts for the year ended December 31, 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 13,813,909	\$ 4,546,998
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain of investments	(19,311,494)	(10,933,713)
(Recovery) of uncollectible pledges	-	(14,609)
Change in beneficial interest in perpetual trust	(195,928)	(190,024)
Depreciation	2,576,186	2,514,561
Forgiveness of Paycheck Protection Program loan	(1,209,875)	-
Loss on disposal of property and equipment	385,374	-
Additions to net assets with donor restrictions (perpetual)	(194,236)	(51,000)
Changes in operating assets and liabilities:		
Pledges receivable, annual campaign	(341,871)	210,250
Bequest receivable	655,742	(655,742)
Investment proceeds and interest receivable	(3,374,918)	-
Other receivables	-	-
Prepaid expenses and other assets	(278,133)	(1,027)
Accounts payable, accrued expenses and other liabilities	(151,701)	748,249
Investment purchases payable	(468,385)	-
Net Cash from Operating Activities	(8,095,330)	(3,826,057)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in temporary cash investments	(5,819,538)	(8,244,932)
Proceeds from sale of investments, net of investments receivable	101,280,133	89,600,208
Purchases of investments, net of investments payable	(91,250,552)	(76,360,476)
Purchases of property and equipment	(522,034)	(839,576)
Net Cash from Investing Activities	3,688,009	4,155,224
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	834,497	1,209,875
Additions to net assets with donor restrictions that are perpetual in nature	194,236	51,000
Net Cash from Financing Activities	1,028,733	1,260,875
Net Change in Cash	(3,378,588)	1,590,042
<b>CASH</b>		
Beginning of year	4,717,433	3,127,391
End of year	\$ 1,338,845	\$ 4,717,433
<b>NONCASH FINANCING ACTIVITY</b>		
Forgiveness of Paycheck Protection Program loan	\$ 1,209,875	\$ -

See notes to financial statements

## **Saint Thomas Church**

Notes to Financial Statements  
December 31, 2021

### **1. Organization and Tax Status**

Saint Thomas Church in the City and County of New York (the “Church”) is an Episcopal parish church located at One West 53<sup>rd</sup> Street in New York City. It maintains a boarding school for its boy choristers (the “Choir School”) with an enrollment of approximately 30 boys. The accompanying financial statements include the Choir School.

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

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to not-for-profit organizations.

#### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount 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.

#### ***Fair Value Measurements***

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

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



## **Saint Thomas Church**

Notes to Financial Statements  
December 31, 2021

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

#### ***Investments Valuation***

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of each respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Church’s interest therein. The Church reviews and evaluates the values provided by the general partners and investment managers, and has hired an investment consultant to assist in evaluating these values and believes the carrying amounts of its investments in the limited partnerships, hedge funds and trust are a reasonable estimate of fair value.

#### ***Beneficial Interest in Perpetual Trust***

The Church has a beneficial interest in the income of a trust whereby the assets are held in perpetuity by a third party trustee. The fair value of the Church’s beneficial interest in this trust is estimated to be equal to the fair value of the portion of the assets underlying the trust attributable to the Church’s interest. Distributed income is restricted by the donor to be used solely and exclusively for the maintenance and repair of the Church Building or the Church Parish House Building. Changes in the fair value are included in net assets with donor restrictions because the assets are not available to the Church.

#### ***Property and Equipment***

The Church capitalizes all expenditures for property and equipment in excess of \$20,000. Buildings and improvements are depreciated using the straight-line method over estimated useful lives of 30 years. Furnishings are depreciated using the straight-line method over estimated useful lives of 10 years. Computer equipment and website development costs are depreciated using the straight-line method over estimated useful lives of 5 years. The Church follows the practice of charging repairs and maintenance to expense as incurred.

Property and equipment are reviewed for impairment if the use of the assets significantly changes or another indicator of possible impairment is identified. If the carrying amount of an asset is not recoverable, the value is written down to the asset’s fair value. There were no asset impairments for the years ended December 31, 2021 and 2020.

#### ***Collections***

The Church’s collections of sacred vessels and plates, vestments, sculptures and other works of art, appraised at approximately \$5,000,000, are not reported in the accompanying financial statements in accordance with U.S. GAAP.

## **Saint Thomas Church**

Notes to Financial Statements  
December 31, 2021

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

#### ***Net Assets***

The Church reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

***Without donor restrictions*** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of the Church's management and the Vestry.

***With donor restrictions*** – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

#### ***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and employee benefits are allocated on the basis of staff estimates of time and effort. Costs identifiable to a particular function are directly charged to the program or supporting service. Other costs are allocated based on the percentage of overall salary allocation.

#### ***Advertising***

Advertising is expensed as it is incurred.

#### ***Air Rights Fund and Restricted Cash***

In accordance with the restriction generally imposed in connection with the approval of the sale of any patrimony by a church of the Diocese of New York of the Episcopal Church (the "Diocese"), the net proceeds from the sale of air rights are to be set aside in a separate fund to be invested with the endowment and other funds of the Church, as units in the overall investment pool as an endowment for the general religious and charitable purposes of the Church (the "Air Rights Fund"). The Church is authorized to distribute and transfer quarterly payments from the without donor restrictions Air Rights Fund to the operating fund, in accordance with the distribution policy of the Diocesan Investment Trust of the Diocese of New York ("DIT")'s Parish Endowment Management Service, which is currently up to 5% annual payout of the rolling three year average market value of its investments. The balance of the Air Rights Fund is included in net assets without donor restrictions of the Church (see Note 11).

## **Saint Thomas Church**

Notes to Financial Statements  
December 31, 2021

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

#### ***Air Rights Fund and Restricted Cash (continued)***

Further, as a condition of the consent to the sale of air rights, the New York City Landmarks Preservation Commission required that the Church segregate from the sales proceeds after payment of expenses related to the sale (1) 5% of the proceeds from such sale for use in maintaining the physical plant of the Church (the "Maintenance Fund"), and (2) 110% of the estimated expenses of required improvement to the physical plant of the Church, the majority of which was the restoration of the stained glass windows (the "Landmarks Fund"). All remaining amounts in the Landmarks Fund were utilized to fund the costs of the final improvements.

#### ***Contributions***

Pledges, plate offerings, bequests and other contributions are reported when received and without donor restrictions, unless the donor restricts the use thereof, whereby they are treated as with donor restrictions.

#### ***Allowance for Uncollectible Pledges***

An allowance for uncollectible pledges is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Church's historical experience, review of account balances and expectations relative to collections.

#### ***Contributed Services***

A substantial number of unpaid volunteers have made significant contributions of their time to the Church. These contributed services do not meet the criteria for recognition under U.S. GAAP and are not reflected in the accompanying financial statements.

#### ***Investment Income Recognition***

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

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

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

#### ***Operating Measure***

The statement of activities includes change in net assets before non-operating activity as its performance indicator. Changes in net assets which are excluded from the change in net assets before non-operating activity include change in beneficial interest in perpetual trust, income from perpetual trust, and other non-allocated investment income. Peripheral or incidental transactions are reported as non-operating revenue and expenses.

## **Saint Thomas Church**

Notes to Financial Statements  
December 31, 2021

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

#### ***Presentation of Prior Year Information***

The financial statements include certain prior year summarized comparative information in total, but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Church's financial statements as of and for the year ended December 31, 2020, from which the summarized information was derived.

#### ***Subsequent Events***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is July 27, 2022. Management determined that, except as disclosed in Note 7, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

### **3. Concentrations of Credit Risk**

Certain financial instruments potentially subject the Church to concentrations of credit risk. These financial instruments consist primarily of cash, investments and pledges receivable. The Church places its cash and investments with creditworthy, high-quality financial institutions. A significant portion of such cash and investments is not insured by the Federal Deposit Insurance Corporation ("FDIC") or Securities Investor Protection Corporation ("SIPC"). Management believes there is a very low risk of loss due to the failure of these institutions. Concentrations of credit risk with respect to pledges receivable are generally diversified due to the large number of individuals composing the Church's donor base.

### **4. Pledges Receivable, Annual Campaign**

At December 31, 2021 and 2020, the Church's pledges receivable for the annual campaign consisting of \$1,093,891 and \$818,124 are shown net of allowances for uncollectible pledges of \$40,951 and \$107,055.

### **5. Investments**

Investment assets held by the Church with donor restrictions and without donor restrictions are commingled for purposes of investment flexibility into an investment pool (the "Pool"). Investment income and realized and unrealized appreciation and depreciation from these investments are allocated among the funds in accordance with each fund's unit value or participation percentage. This method provides a number of units to each fund based on the relationship of the fair value of the contribution to that of all investments at the time of entry into the Pool. Investment income and gains and losses are allocated to each participating fund based on the number of units or percentage held by each fund during the period.

## Saint Thomas Church

### Notes to Financial Statements December 31, 2021

#### 5. Investments (continued)

Substantially all of the Church's temporary cash investments and marketable securities are deposited with major financial institutions. These institutions are highly capitalized and are members of major securities exchanges. In September 2021, the Church changed the custodian. Temporary cash investments are comprised of cash and dollar-unit-value, fixed-income funds.

The following are the classes and major categories of investments at December 31, 2021 grouped by the fair value hierarchy for those investments measured at fair value:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>At Fair Value:</b>				
Fixed income securities	\$ 16,811,201	\$ -	\$ -	\$ 16,811,201
Equity securities	18,636,763	-	-	18,636,763
<b>Mutual Funds</b>				
International stock funds	36,254,064	5,946,366	-	42,200,430
Large cap index funds	28,897,540	4,300,508	-	33,198,048
Mid cap index funds	5,627,615	-	-	5,627,615
Subtotal	106,227,183	10,246,874	-	116,474,057
Temporary cash investments, at cost				19,078,454
Investment trusts*				2,000,503
Alternative investments*				7,485,718
Private equity*				9,442,074
Total Investments				154,480,806
Beneficial interest in perpetual trust	-	-	3,933,539	3,933,539
<b>Total</b>	<b>\$ 106,227,183</b>	<b>\$ 10,246,874</b>	<b>\$ 3,933,539</b>	<b>\$ 158,414,345</b>

The following are the classes and major categories of investments at December 31, 2020 grouped by the fair value hierarchy for those investments measured at fair value:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>At Fair Value:</b>				
Fixed income securities	\$ 9,350,378	\$ -	\$ -	\$ 9,350,378
Equity securities	29,185,086	-	-	29,185,086
<b>Mutual Funds</b>				
Large blend funds	9,175,544	-	-	9,175,544
International stock funds	-	627,773	-	627,773
Bond funds	-	1,326,215	-	1,326,215
Large cap index funds	-	1,625,895	-	1,625,895
Mid cap index funds	-	210,214	-	210,214
Small cap index funds	-	220,229	-	220,229
Subtotal	47,711,008	4,010,326	-	51,721,334
Temporary cash investments, at cost				17,115,291
Investment trusts*				8,093,065
Alternative investments*				57,871,316
Private equity*				4,578,347
Total Investments				139,379,353
Beneficial interest in perpetual trust	-	-	3,737,611	3,737,611
<b>Total</b>	<b>\$ 47,711,008</b>	<b>\$ 4,010,326</b>	<b>\$ 3,737,611</b>	<b>\$ 143,116,964</b>

\*As discussed in Note 2, investments valued at NAV are not categorized within the fair value hierarchy. Amounts shown in the total column are presented to permit reconciliation to the amounts shown on the statement of financial position.

## Saint Thomas Church

### Notes to Financial Statements December 31, 2021

#### 5. Investments *(continued)*

Changes from the beginning to ending balances for investments measured at fair value using significant unobservable inputs (Level 3) consist only of changes in beneficial interest in perpetual trust reported on the accompanying statement of activities totaling \$195,928 and \$190,024 for the years ended December 31, 2021 and 2020.

Information regarding investments valued using NAV as a practical expedient at December 31, 2021 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment trusts (see "a" below)	\$ 2,000,503	\$ -	Monthly	By the 20th of the month
Alternative investments (see "b" below)	7,485,718	-	Quarterly	60 days
Private equity (see "c" below)	9,442,074	<u>2,227,022</u>	N/A	N/A
Total	<u>\$ 18,928,295</u>	<u>\$ 2,227,022</u>		

a. This category includes investments in trusts. The primary investment in trust seeks to achieve growth in principal value over time sufficient to preserve or increase the purchasing power against inflation. In order to implement these objectives, this trust is primarily invested in numerous multi-strategy funds.

b. This category includes an investment in a hedge fund that invests predominantly in limited partnerships and similar pooled investment vehicles. The fund was primarily formed for the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various money managers.

c. This category includes several private equity funds that invest primarily in private equity investment partnerships operating in the United States. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 2 to 10 years.

#### ***Investment Risks and Uncertainties***

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as hedge funds, private equity funds, and common investment trusts. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

## Saint Thomas Church

### Notes to Financial Statements December 31, 2021

#### 5. Investments (continued)

Investment return consisted of the following:

	Year Ended December 31	
	2021	2020
Net realized and unrealized gain	\$ 19,311,494	\$ 10,933,713
Dividends and interest, net of advisory fees	2,131,465	77,043
	\$ 21,442,959	\$ 11,010,756
Allocation:		
Drawdowns:		
Operating income - allocated investment income (up to 5% spend rate)	\$ 2,200,000	\$ 6,309,056
Non operating activity - investment income	-	662,353
Total Drawdowns	2,200,000	6,971,409
Non operating investment allocation*	19,242,959	4,039,347
Total Investment Return, Net	\$ 21,442,959	\$ 11,010,756

\* Non-operating investment allocation represents total investment return less drawdowns. Non-operating investment allocation is presented to permit reconciliation of total investment return between operating income and non-operating activity, as presented in the accompanying statement of activities.

#### 6. Property and Equipment

At December 31, property and equipment consisted of the following:

	2021			
	Church	Clergy Residence	Choir School	Total
Land	\$ 290,470	\$ 256,522	\$ 7,395,000	\$ 7,941,992
Buildings and improvements	55,177,558	8,625,628	10,244,585	74,047,771
Furnishings	1,866,335	88,572	67,525	2,022,432
Computer equipment	343,235	-	-	343,235
Subtotal	57,677,598	8,970,722	17,707,110	84,355,430
Accumulated depreciation	(23,015,881)	(1,200,405)	(8,277,876)	(32,494,162)
	\$ 34,661,717	\$ 7,770,317	\$ 9,429,234	\$ 51,861,268
	2020			
	Church	Clergy Residence	Choir School	Total
Land	\$ 290,470	\$ 256,522	\$ 7,395,000	\$ 7,941,992
Buildings and improvements	55,624,407	8,625,628	10,638,792	74,888,827
Furnishings	3,130,940	140,316	1,681,137	4,952,393
Computer equipment	391,639	-	107,074	498,713
Website development costs	110,475	-	-	110,475
Construction in progress	-	14,400	-	14,400
Subtotal	59,547,931	9,036,866	19,822,003	88,406,800
Accumulated depreciation	(22,928,076)	(934,332)	(10,243,596)	(34,106,004)
	\$ 36,619,855	\$ 8,102,534	\$ 9,578,407	\$ 54,300,796

Depreciation expense for the Church and Clergy Residence was \$2,307,461 and \$2,230,408 for 2021 and 2020. Depreciation expense for the Choir School was \$268,725 and \$284,153 for 2021 and 2020. During 2021, the Church disposed of equipment with a cost basis of \$4,573,404 and accumulated depreciation of \$4,188,028, recording a loss on the dispositions of \$385,376 which is recorded as a non-operating activity on the statement of activities.

## Saint Thomas Church

### Notes to Financial Statements December 31, 2021

#### 7. Loan Payable

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The Church applied for and received a \$1,209,875 Paycheck Protection Program Loan (“PPP Round 1”) from the U.S. Small Business Administration (“SBA”). The PPP Round 1 loan was subsequently forgiven by the SBA on September 10, 2021 and the amount has been reported as forgiveness of paycheck protection program loan on the statement of activities for the year ended December 31, 2021. The Church applied for and received a second Paycheck Protection Program Loan on February 19, 2021 in the amount of \$834,497 (“PPP Round 2”). The PPP Round 2 loan has an interest rate of 1% per annum, and matures on February 19, 2026. Payments of principal and interest begin in the seventh month of the loan, and interest will accrue during this deferral period. Principal and interest may be eligible for forgiveness if the Church meets certain requirements of the CARES Act. Subsequent to fiscal year end, on June 22, 2022, the Church received full forgiveness from the SBA for the PPP Round 2 loan. The Church will recognize the forgiven PPP loan amount in the year ending December 31, 2022 in accordance with Accounting Standards Codification (“ASC”) 470 Debt.

#### 8. Net Assets with Donor Restrictions

Net assets with donor restrictions that were temporary in nature were available for the following purposes at December 31:

	2021	2020
Program purposes	\$ 7,599,854	\$ 7,412,006
Time restricted, annual campaign	1,308,376	879,757
Accumulated income from donor-restricted endowment	<u>46,796,898</u>	<u>39,508,483</u>
	<u>\$ 55,705,128</u>	<u>\$ 47,800,246</u>

Net assets were released from donor restrictions as summarized below for the year ending December 31:

	2021	2020
Purpose restrictions accomplished	\$ 505,691	\$ 981,760
Time-restriction satisfied	<u>879,757</u>	<u>3,055,990</u>
	<u>\$ 1,385,448</u>	<u>\$ 4,037,750</u>

Net assets with donor restrictions that were perpetual in nature consisted of the following at December 31:

	2021	2020
Investments to be held in perpetuity	\$ 10,439,710	\$ 10,245,474
Beneficial interest in perpetual trust	<u>3,933,539</u>	<u>3,737,611</u>
	<u>\$ 14,373,249</u>	<u>\$ 13,983,085</u>



## Saint Thomas Church

Notes to Financial Statements  
December 31, 2021

### 9. Endowments

#### *Interpretation of Relevant Law*

The New York Prudent Management of Institutional Funds Act (“NYPMIFA”) requires the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Church classifies as donor restricted net assets (a) the original value of gifts donated to the endowment fund that are perpetual in nature, (b) the original value of subsequent gifts to the endowment fund that are perpetual in nature and (c) accumulations of investment returns to the endowment fund that are perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as temporarily in nature until those amounts are appropriated for expenditure by the Vestry in a manner consistent with the standard of prudence prescribed by NYPMIFA.

#### *Investment Policy*

The Church’s investment policy for managing its investment portfolio (the “Invested Funds”) includes both the preservation of the real value of the principal and the assumption of moderate risk in doing so. The assumption of a moderate level of risk is warranted in order to allow the Invested Funds a greater opportunity to achieve satisfactory results that are consistent with the objectives and fiduciary responsibility of the Church. The primary investment objective of the Invested Funds is to provide over time a real rate of return over inflation that will maintain (and preferably increase) the real value of the assets in order to support in perpetuity the mission of the Church.

The Church’s spending policy is to use up to 5% payout of the rolling three year average market value of its investments.

Changes in donor restricted endowment funds are as follows:

	Temporary in Nature	Perpetual in Nature	Total
Balance, January 1, 2020	\$ 38,118,385	\$ 10,194,474	\$ 48,312,859
Contributions	-	51,000	51,000
Interest and dividends	267,997	-	267,997
Capital appreciation	3,417,493	-	3,417,493
Appropriation	(2,295,392)	-	(2,295,392)
Balance, December 31, 2020	39,508,483	10,245,474	49,753,957
Contributions	-	194,236	194,236
Interest and dividends	967,034	-	967,034
Capital appreciation	6,600,598	-	6,600,598
Appropriation	(279,217)	-	(279,217)
Balance, December 31, 2021	<u>\$ 46,796,898</u>	<u>\$ 10,439,710</u>	<u>\$ 57,236,608</u>

## Saint Thomas Church

Notes to Financial Statements  
December 31, 2021

### 9. Endowments (continued)

#### **Return Objectives and Risk Parameters**

The Church has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Church must hold in perpetuity. Under this policy, as approved by the Church's Vestry, the endowment assets are invested in a number of different asset classes and investment strategies to diversify the investments to provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment category.

### 10. Liquidity and Availability

The following represents the approximate amounts of the Church's financial assets at December 31, reduced by the approximate amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$ 1,339,000	\$ 4,717,000
Pledges receivable	1,053,000	711,000
Investment proceeds and interest receivable	3,857,000	482,000
Bequest receivables	-	655,742
Investments	<u>154,481,000</u>	<u>139,379,000</u>
Total Financial Assets	160,730,000	145,944,742
Less: amounts restricted by donor with time or purpose restriction	(66,145,000)	(58,046,000)
Add: time or purpose restriction expected to release in the next year	1,308,000	2,508,000
Add: allocated investment income for the next year	5,300,000	4,010,000
Less: designated by air rights sale	(54,634,000)	(47,114,000)
Add: allocated spending of designated by air rights sale for the next year	<u>2,854,000</u>	<u>2,339,000</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 49,413,000</u>	<u>\$ 49,641,742</u>

As part of the Church's liquidity management, the Church monitors the status of its cash needs on a quarterly basis and liquidates any assets as necessary in order to provide funds for the operations of its programs.

## Saint Thomas Church

Notes to Financial Statements  
December 31, 2021

### 11. Sale of Air Rights

In September 2014, the Church sold a portion of its excess transferable development rights (“air rights”) to a third party developer for a gross purchase price of \$71,138,342, with the consent of the Bishop and Standing Committee of the Diocese in accordance with the Religious Corporations Law of the State of New York. The proceeds, net of both non-refundable down payments received in prior years and closing costs, amounted to \$67,757,843, of which \$39,767,570 was used to establish the Air Rights Fund (see Note 2).

The invested balances of funds without donor restrictions from the sale of air rights at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Air Rights Fund	\$ 50,278,638	\$ 43,403,173
Maintenance Fund	<u>4,355,832</u>	<u>3,711,255</u>
	<u>\$ 54,634,470</u>	<u>\$ 47,114,428</u>

### 12. Retirement Plans

The Church participates in the Church Pension Fund, a defined benefit, multi-employer pension plan that is organized to benefit only the clergy of the Church. Contributions by the Church are 18% of eligible employee earnings. Church contributions made for 2021 and 2020 were \$91,791 and \$125,795.

The Church also participates in a lay defined benefit plan administered by the Church Pension Fund. Contributions by the Church are 9% of eligible employee earnings. Church contributions made for 2021 and 2020 were \$10,725 and \$15,472.

Eligible full-time employees of the Church and Choir School, other than clergy, participate in a defined contribution retirement annuity plan administered by the Church Pension Fund. The plan provides for contributions by the Church ranging from 5% to 14% of employee earnings. Church contributions made for 2021 and 2020 were \$237,313 and \$271,983.

The Choir School’s defined contribution annuity plan covers eligible, full-time faculty and administrative officers and is funded annually with the Teachers Insurance and Annuity Association. The plan provides for the Choir School to make contributions ranging from 5% to 14% of employee earnings. The Choir School’s expense for plan benefits for 2021 and 2020 was \$50,161 and \$30,242.

### 13. Commitments

The Church remits to the Diocese an annual assessment based on a percentage of certain revenues earned by the Church during the second and third most recent preceding years. The annual assessment remitted for 2021 and 2020 was \$885,624 and \$1,489,432.

## **Saint Thomas Church**

Notes to Financial Statements  
December 31, 2021

### **14. Litigation**

From time to time and in the ordinary course of business, the Church may be subject to various claims, charges, and litigation. In the opinion of management, final judgments from such pending claims, charges, and litigations, if any, against the Church would not have a material adverse effect on the Church's financial position, results of operations or cash flows.

### **15. COVID-19**

The coronavirus outbreak has had and may continue to have an adverse effect on the results of the Church's operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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