

**Redeemer Presbyterian Church
of New York City and Affiliate**

Consolidated Financial Statements

December 31, 2013

INDEPENDENT AUDITORS' REPORT

The Trustees and The Session Redeemer Presbyterian Church of New York City

We have audited the accompanying consolidated financial statements of Redeemer Presbyterian Church of New York City and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Redeemer Presbyterian Church of New York City and Affiliate as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**The Trustees and The Session
Redeemer Presbyterian Church of New York City
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Report on Summarized Comparative Information

We have previously audited Redeemer Presbyterian Church of New York City and Affiliates', December 31, 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 29, 2013. In our opinion, the summarized comparative information presented herein as of December 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

O'Connor Davies, LLP

April 22, 2014

**Redeemer Presbyterian Church of New York City
and Affiliate**

Consolidated Statement of Financial Position
December 31, 2013
(with comparative amounts at December 31, 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 8,117,858	\$ 7,349,385
Certificates of deposit	-	550,205
Prepaid expenses and other current assets	277,458	269,372
Lease security deposits	239,304	364,653
Property, furnishings, equipment, and leasehold improvements, net	56,173,305	57,404,924
	\$ 64,807,925	\$ 65,938,539
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 560,374	\$ 1,659,515
Capital lease obligation	311,117	452,046
Deferred revenue	-	33,611
Deferred rent credit	133,115	247,213
Security deposit payable	51,500	51,500
Long-term debt	30,362,431	29,658,082
Total Liabilities	31,418,537	32,101,967
Net Assets		
Unrestricted		
Current operating	2,412,392	1,559,930
Redeemer City to City	2,996,263	2,722,059
Investment in property, furnishings, equipment and leasehold improvements, net of related liabilities	24,511,889	26,306,928
Total Unrestricted Net Assets	29,920,544	30,588,917
Temporarily Restricted		
Redeemer Presbyterian Church	2,397,366	2,174,948
Redeemer City to City	1,071,478	1,072,707
Total Temporarily Restricted Net Assets	3,468,844	3,247,655
Total Net Assets	33,389,388	33,836,572
	\$ 64,807,925	\$ 65,938,539

See notes to consolidated financial statements

**Redeemer Presbyterian Church of New York City
and Affiliate**

Consolidated Statement of Activities
Year Ended December 31, 2013
(with summarized totals for the year ended December 31, 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
CONTRIBUTIONS AND REVENUE				
Contributions				
General	\$ 15,303,476	\$ -	\$ 15,303,476	\$ 14,079,003
RENEW Campaign 2010 - 2012	-	823,443	823,443	2,622,736
Mercy and Justice	-	672,864	672,864	1,009,832
Redeemer City to City	3,678,141	1,148,574	4,826,715	4,030,464
Other	319,857	380,521	700,378	408,794
Total Contributions	19,301,474	3,025,402	22,326,876	22,150,829
Revenue				
Counseling	1,530,304	-	1,530,304	1,360,813
Ministry program	529,478	-	529,478	385,071
Sales of sermons, books, and others	718,695	-	718,695	844,483
Interest income	41,862	-	41,862	41,121
Rental income	517,205	-	517,205	139,554
Royalty income	302,062	-	302,062	409,610
Total Revenue	3,639,606	-	3,639,606	3,180,652
Total Contributions and Revenue before Net Assets Released from Restrictions	22,941,080	3,025,402	25,966,482	25,331,481
Net assets released from restrictions	2,804,213	(2,804,213)	-	-
Total Contributions and Revenue	25,745,293	221,189	25,966,482	25,331,481
EXPENSES				
Congregations	9,085,077	-	9,085,077	7,200,862
Community Formation	2,094,670	-	2,094,670	2,075,695
Mercy and Justice	1,399,979	-	1,399,979	911,436
Center for Faith and Work	1,191,453	-	1,191,453	1,155,169
Redeemer City to City	5,061,845	-	5,061,845	4,451,946
Leadership, administration, facilities, and fundraising	7,580,642	-	7,580,642	7,720,250
Total Expenses	26,413,666	-	26,413,666	23,515,358
Change in Net Assets	(668,373)	221,189	(447,184)	1,816,123
NET ASSETS				
Beginning of year	30,588,917	3,247,655	33,836,572	32,020,449
End of year	\$ 29,920,544	\$ 3,468,844	\$ 33,389,388	\$ 33,836,572

See notes to consolidated financial statements

**Redeemer Presbyterian Church of New York City
and Affiliate**

Consolidated Statement of Cash Flows
Year Ended December 31, 2013

(with comparative amounts for the year ended December 31, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (447,184)	\$ 1,816,123
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,619,522	1,280,761
Deferred rent credit amortization	(114,098)	(106,448)
Interest earned on certificates of deposit	-	(205)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(8,086)	(134,367)
Accounts payable and accrued expenses	(1,099,141)	(5,230,203)
Security deposit payable	125,349	51,500
Deferred revenue	<u>(33,611)</u>	<u>(51,515)</u>
Net Cash from Operating Activities	<u>42,751</u>	<u>(2,374,354)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchase) of certificates of deposit	550,205	(550,000)
Purchase of furnishings and equipment	<u>(344,379)</u>	<u>(3,096,973)</u>
Net Cash from Investing Activities	<u>205,826</u>	<u>(3,646,973)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from construction loan	1,053,270	6,698,149
Repayment of mortgage loan payable	(348,921)	(203,490)
Repayment of capital lease obligation	<u>(184,453)</u>	<u>(144,375)</u>
Net Cash from Financing Activities	<u>519,896</u>	<u>6,350,284</u>
Net Change in Cash and Cash Equivalents	768,473	328,957
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>7,349,385</u>	<u>7,020,428</u>
End of year	<u>\$ 8,117,858</u>	<u>\$ 7,349,385</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,958,469	\$ 1,782,063
Non-Cash Investing Activity		
Real estate and construction related costs financed through accounts payable	-	987,868
Disposal of fully depreciated assets	29,719	92,756
Acquisition of equipment financed through capital lease	43,524	315,478

See notes to consolidated financial statements

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements
December 31, 2013

1. Organization and Taxation

Redeemer Presbyterian Church of New York City (the "Church") is a corporation organized pursuant to Article 10 of the Religious Corporations Law of the State of New York and is part of the Presbyterian Church in America. The Church's vision is to build a great city for all people through a gospel movement that brings personal conversion, community formation, social justice and cultural renewal to New York and, through it, to the world.

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

Redeemer City to City ("CTC", "Affiliate") is a not-for-profit corporation organized on January 2, 2008 under the laws of the State of New York. CTC's by-laws require the Church to nominate a majority of the CTC board members. The purpose of CTC is to serve the great cities of the world through church planting, training of church leaders and content development. All church planting activities are part of CTC.

CTC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Church and CTC (collectively known as "Redeemer"). Accounting principles generally accepted in the United States of America require all organizations over which the Church has both control and an economic interest to be accounted for as consolidated affiliates. All material inter-organizational accounts and transactions have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified as permanently restricted, temporarily restricted or unrestricted.

Use of Estimates

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

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements
December 31, 2013

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

Cash equivalents consist of short-term highly liquid investments, with maturities of three months or less at the time of purchase except those designated as held for investment.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor indications of intent to give in the future that do not rise to a level of a promise to give are not reflected in the consolidated financial statements. Contributions received are recorded as unrestricted and temporarily restricted contributions depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Certificates of Deposits

Certificates of deposit are carried at cost plus accrued interest.

Property, Furnishings, Equipment, and Leasehold Improvements

It is Redeemer's policy to capitalize property, furnishings, equipment, and leasehold improvements over \$1,000. Lesser amounts are expensed. Furnishings, equipment and leasehold improvements are capitalized at cost or fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of computer equipment (3 to 5 years), office equipment and furnishings (5 to 10 years), leasehold improvements (10 years or the life of the lease, whichever is shorter), and building and improvements (40 years).

Deferred Revenue

Amounts received in advance of providing program services are recorded as a liability under deferred revenue. Royalties received in advanced of fulfilling contractual obligations are recorded as a liability under deferred revenue.

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated across the ministry fronts and congregations.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements
December 31, 2013

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

Accounting for Uncertainty in Income Taxes

Redeemer recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Redeemer had no uncertain tax positions that would require financial statement recognition or disclosure. CTC is not subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2010.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 22, 2014.

3. Credit Risk Concentration

At December 31, 2013, Redeemer had bank deposits which exceeded federally insured limits. Redeemer has not experienced any losses in such accounts.

4. Property, Furnishings, Equipment, and Leasehold Improvements

Property, furnishings, equipment, and leasehold improvements at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Office equipment and furnishings	\$ 1,114,347	\$ 1,082,722
Computer equipment	750,709	525,024
Website	184,255	118,903
Leasehold improvements	1,055,429	1,055,429
Building and improvements	<u>42,838,248</u>	<u>42,802,740</u>
	45,942,988	45,584,818
Less accumulated depreciation and amortization	<u>3,769,683</u>	<u>2,179,894</u>
	42,173,305	43,404,924
Land	<u>14,000,000</u>	<u>14,000,000</u>
	<u>\$ 56,173,305</u>	<u>\$ 57,404,924</u>

Office equipment and furnishings at December 31, 2013 and 2012 include capital leases totaling \$761,220 and \$757,000 with accumulated depreciation totaling \$332,766 and \$219,601.

In 2012, interest of \$246,763 incurred on the mortgage and construction loans prior to the building being placed in service, has been capitalized and is included in Buildings and Improvements in the consolidated statement of financial position.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements
December 31, 2013

5. Capital Lease Obligation

Future minimum rental obligations for office equipment and furniture under capital lease agreements as of December 31, 2013 are as follows:

2014	\$ 192,473
2015	106,602
2016	30,635
2017	12,003
2018	<u>5,270</u>
Total Lease Payments	346,983
Less portion representing interest	<u>35,866</u>
Principal value of all capital leases	<u>\$ 311,117</u>

Interest expense on the capital lease obligation was approximately \$40,000 and \$54,000 for 2013 and 2012.

6. Long-term Debt

Redeemer has a mortgage loan payable with a bank, which is secured by an interest in real property located at 150 West 83rd Street, New York, NY. The loan bears interest at the rate of 6.375% annually. Monthly payments of interest and principal of \$107,139 were due and paid from November 1, 2010 to October 1, 2013. A balloon payment of \$16,633,511 was due at maturity on November 1, 2013.

On February 27, 2009, Redeemer entered into a construction loan agreement which gives Redeemer access to \$14,300,000 to fund the construction of its community center and worship space. The loan bears an interest rate of 6.375% annually. Management has utilized \$13,833,996 from the loan facility as of December 31, 2013. Payments of \$89,094 consisting of principal and interest are due monthly for 11 months commencing on March 1, 2013. A balloon payment of the remaining balance was due on February 1, 2014.

Redeemer and the bank reached an agreement whereby Redeemer would continue to make regular monthly payments until the loans were refinanced. On February 20, 2014 the Church signed a bank commitment letter to consolidate the two maturing loans, and enter into a new loan in the amount of \$29,250,000 at an interest rate of 4.750%, adjustable once after five years. The term of the new loan is ten years. Payments will be made on a twenty-five year amortization schedule, starting from the closing date of the new loan, with monthly loan payments of interest and principal of approximately \$166,784. A balloon payment of the remaining balance is due at the maturity of the loan in 2024.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements
December 31, 2013

6. Long-term Debt (continued)

Future maturities of the loan payable under the schedule of the new bank commitment agreement are as follows as of December 31, 2013:

2014	\$ 1,631,636
2015	650,736
2016	682,328
2017	712,633
2018	750,187
2019 to 2024	<u>25,934,911</u>
	<u>\$ 30,362,431</u>

Total interest incurred for the years ended December 31, 2013 and 2012 amounted to \$1,918,116 and \$1,782,063.

7. Temporarily Restricted Net Assets; Net Assets Released from Restrictions

Net assets which were the subject of donor imposed restrictions held at December 31, 2013 and 2012 and net assets released from restrictions during the year are follows:

	2013		2012	
	Net Assets Held at Year End	Released During the Year	Net Assets Held at Year End	Released During the Year
Redeemer Presbyterian Church of New York City				
Asia Relief	\$ 71,531	\$ -	\$ -	\$ -
Building Fund	182,854	647	-	2,808,674
Center for Faith and Work - Incubator	50,436	69,709	70,145	85,230
Center for Faith and Work	73,027	63,700	136,727	100,000
Hope for New York	47,585	63,876	-	92,879
Japan Relief	-	-	-	50,000
Mercy Fund (Diaconate)	753,574	741,446	1,008,380	526,871
New York City Disaster Relief	52,329	349,301	398,264	59,861
Other donor restricted contributions	54,645	100,320	60,148	49,447
Promise of Hope Fund	48,296	13,140	9,538	9,040
RENEW Campaign	1,063,089	252,271	491,746	11,668,649
Vision Campaign	-	-	-	<u>8,750,384</u>
Total Redeemer Presbyterian Church of New York City				
Temporarily Restricted Net Assets	<u>2,397,366</u>	<u>1,654,410</u>	<u>2,174,948</u>	<u>24,201,035</u>

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements
December 31, 2013

7. Temporarily Restricted Net Assets; Net Assets Released from Restrictions (continued)

	2013		2012	
	Net Assets Held at Year End	Released During the Year	Net Assets Held at Year End	Released During the Year
<u>Redeemer City to City</u>				
Asian Immersion Project	\$ 52,369	\$ 8,971	\$ 10,000	\$ 26,730
Athens Project	3,387	47,900	28,000	-
Barcelona Project	48,469	118,208	73,902	30,574
Berlin Projekt	6,903	26,072	-	45,995
Brussels Project	57,799	23,250	15,341	11,659
Buenos Aires Project	260	32,500	-	25,000
Church Planting Center	-	42,500	42,500	432,298
City Life London	7,200	2,333	-	7,000
East Asia Movement	9,644	28,000	37,644	51,932
Edinburgh Project	13,000	25,000	12,500	12,500
Europe Project	40,104	201,066	180,403	53,947
First Fruits Program	27,626	-	27,626	-
Hamburg Project	20,682	12,910	-	32,067
India Project	8,105	15,011	23,116	24,884
Intensive International Program	-	-	-	90,086
Kirche Project	13,382	42,275	-	7,316
Kreuzberg Project	24,600	31,100	-	35,752
London/Camdentown Project	667	4,983	-	27,435
Miscellaneous restricted donations	42,022	26,900	2,148	79,046
Mumbai Project	12,302	-	10,886	5,000
New York City Projects	12,374	112,794	125,168	-
New York City Movement Projects	346,765	56,250	189,681	-
Prague Project	26,081	51,386	32,000	15,900
Paris Project	66,791	86,280	59,211	14,298
Rome II Project	60,007	20,000	70,007	30,200
Rotterdam	973	35,000	-	-
Santiago Project	96,912	-	81,744	-
Sydney Project	50,000	50,000	50,000	-
Taipei Project	-	-	-	133,750
Tokyo Project	23,054	49,114	830	41,230
Total Redeemer City to City				
Temporarily Restricted Net Assets	<u>1,071,478</u>	<u>1,149,803</u>	<u>1,072,707</u>	<u>1,234,599</u>
Total Redeemer Presbyterian Church of New York City and Affiliate				
Temporarily Restricted Net Assets	<u>\$ 3,468,844</u>	<u>\$ 2,804,213</u>	<u>\$ 3,247,655</u>	<u>\$ 25,435,634</u>

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements

December 31, 2013

7. Temporarily Restricted Net Assets; Net Assets Released from Restrictions (continued)

RENEW Campaign

By 2020, Redeemer's vision is to have multiple strong congregations serving a total of 9,000-10,000 people, worshipping at 7-9 locations and conducting 12 or more services around New York City. To achieve this goal, in 2009 Redeemer launched the RENEW Campaign in order to:

1. Identify and develop pastoral and preaching leadership
2. Grow and equip lay leaders
3. Establish 7-Day-A-Week ministry centers to serve New York City's neighborhoods

The first \$10,000,000 raised through the RENEW Campaign was used to complete the renovations of the West Side Building to help accomplish the third goal of establishing 7-Day-A-Week ministry centers. The remaining funds raised through RENEW will support all three of the above goals, including the initial establishment of a rented 7-Day-A-Week ministry center on the East Side, and costs to run and administer the campaign.

The campaign goal is to raise \$20 million. Redeemer's congregation indicated its intention to give \$18.8 million over the next three years, over and above regular giving to the Redeemer operating budget. As of December 31, 2013, a total of \$14.7 million has been contributed towards the campaign. In an effort to close the \$4.1 million campaign goal gap, Redeemer's executive leadership has approached members of the congregation who have indicated an intention to give but have not done so as of December 31, 2013.

8. Rental Commitments

Redeemer occupies office and counseling space under a non-cancellable operating lease that expires on February 28, 2015 and includes a five year renewal option. The lease agreement contains provisions for future rent increases, free rent periods, and rent inducement payments. The total amount of rental payment due over the lease term is being charged to rent expense on a straight-line basis over the term of the lease.

Redeemer has leases on two worship spaces, one of which expires on December 31, 2014, and the other on June 30, 2015. In addition, Redeemer leases various pieces of office equipment under operating leases with various expiration dates through 2015.

Rental expense for all operating leases totaled approximately \$2,774,000 and \$2,243,000 for 2013 and 2012.

Redeemer Presbyterian Church of New York City and Affiliate

Notes to the Consolidated Financial Statements

December 31, 2013

8. Rental Commitments (continued)

Future remaining minimum commitments for operating leases as of December 31, 2013 are approximately as follows:

2014	\$ 2,416,000
2015	<u>574,000</u>
	<u>\$ 2,990,000</u>

9. Retirement Plan

Redeemer contributes to a multi-employer defined contribution church pension plan maintained by the Presbyterian Church in America on behalf of its clergy and other senior non-clergy employees. Contributions are determined each year by the Church's Board of Elders in conjunction with CTC's Executive Director and Board of Directors. Expense amounted to \$302,622 and \$274,961 for 2013 and 2012.

10. Commitments and Contingencies

On February 8, 2011, an incident at the construction site of the new community center and worship space resulted in the death of two workers employed by an independent contractor. The Church is a co-defendant in cases filed by the workers' estates in the New York State Supreme Court in New York County, New York. The suits seek unspecified damages. The Church believes it is not responsible for the death of the workers and intends to vigorously defend its position. The Church believes that a finding against the Church, if any, will be covered by insurance. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion, the likelihood of a material adverse outcome is remote. Accordingly, a liability, if any, that might result from the resolution of this matter, has not been reflected in the financial statements.

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