

REDEEMER
PRESBYTERIAN
CHURCH OF NEW
YORK CITY AND
AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2015

**REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY
AND AFFILIATE**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of Redeemer Presbyterian Church of New York City and Affiliate (Redeemer) as of December 31, 2015, 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 Consolidated 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 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 from 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 auditor's 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 Redeemer'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 Redeemer'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.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Redeemer Presbyterian Church of New York City and Affiliate as of December 31, 2015, and the consolidated changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As described in Note 11 of the consolidated financial statements, a misstatement of previously reported consolidated net assets as of December 31, 2014, was identified during the current year. Accordingly, a retrospective adjustment has been made to consolidated net assets. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

New York, New York
May 6, 2016

**REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY
AND AFFILIATE**

Consolidated Statement of Financial Position

December 31, 2015

ASSETS:

| | |
|---|--------------|
| Cash and cash equivalents | \$ 8,723,998 |
| Prepaid expenses and other current assets | 444,211 |
| Due (to) from Redeemer City to City | 522,567 |
| Lease security deposits | 889,354 |
| Property, furnishings, equipment, and leasehold improvements, net | 55,043,898 |
| Deferred financing costs | 216,146 |

| | |
|--------------|---------------|
| Total Assets | \$ 65,840,174 |
|--------------|---------------|

LIABILITIES AND NET ASSETS:

Liabilities:

| | |
|---------------------------------------|------------|
| Accounts payable and accrued expenses | \$ 853,760 |
| Capital lease obligations | 151,037 |
| Deferred rent credit | 1,643,037 |
| Security deposit payable | 234,035 |
| Loans payable | 25,713,982 |
| Total liabilities | 28,595,851 |

Net Assets:

Unrestricted:

| | |
|--|------------|
| Current operating | 4,167,112 |
| Investment in property, furnishings, equipment and leasehold improvements, net of related liabilities | 29,178,879 |

| | |
|------------------------|------------|
| Total unrestricted | 33,345,991 |
| Temporarily restricted | 3,898,332 |
| Total net assets | 37,244,323 |

| | |
|----------------------------------|---------------|
| Total Liabilities and Net Assets | \$ 65,840,174 |
|----------------------------------|---------------|

See notes to consolidated financial statements

**REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY
AND AFFILIATE**

**Consolidated Statement of Activities
Year Ended December 31, 2015**

| | Unrestricted | Temporarily Restricted | Total |
|--|----------------------|---------------------------|----------------------|
| CONTRIBUTIONS, REVENUE AND RECLASSIFICATIONS: | | | |
| Contributions: | | | |
| General | \$ 18,658,070 | \$ - | \$ 18,658,070 |
| RISE Campaign | - | 3,084,822 | 3,084,822 |
| Mercy and Justice | - | 553,516 | 553,516 |
| Redeemer City to City | 2,783,085 | 1,738,521 | 4,521,606 |
| Other | - | 1,074,968 | 1,074,968 |
| Total Contributions | <u>21,441,155</u> | <u>6,451,827</u> | <u>27,892,982</u> |
| Revenue: | | | |
| Counseling | 1,792,268 | - | 1,792,268 |
| Ministry program | 598,135 | - | 598,135 |
| Sales of sermons, books, and others | 742,616 | - | 742,616 |
| Interest income | 32,158 | - | 32,158 |
| Rental income | 769,323 | - | 769,323 |
| Royalty income | 227,376 | - | 227,376 |
| Total Revenue | <u>4,161,876</u> | <u>-</u> | <u>4,161,876</u> |
| Reclassifications: | | | |
| Net assets released from restrictions | 4,524,271 | (4,524,271) | - |
| Total Contributions, Revenue and Reclassifications | <u>30,127,302</u> | <u>1,927,556</u> | <u>32,054,858</u> |
| EXPENSES: | | | |
| Congregations | 9,971,303 | - | 9,971,303 |
| Community Formation | 3,379,169 | - | 3,379,169 |
| Mercy and Justice | 1,408,076 | - | 1,408,076 |
| Center for Faith and Work | 1,332,497 | - | 1,332,497 |
| Redeemer City to City | 4,648,659 | - | 4,648,659 |
| Leadership, administration, facilities, and fundraising | 8,714,464 | - | 8,714,464 |
| Total Expenses | <u>29,454,168</u> | <u>-</u> | <u>29,454,168</u> |
| Change in net assets before deconsolidation | <u>673,134</u> | <u>1,927,556</u> | <u>2,600,690</u> |
| Deconsolidation of Redeemer City to City | <u>(3,500,515)</u> | <u>(1,674,387)</u> | <u>(5,174,902)</u> |
| Change in Net Assets | (2,827,381) | 253,169 | (2,574,212) |
| Net Assets, Beginning of Year: | | | |
| As previously reported | 36,112,260 | 3,706,275 | 39,818,535 |
| Prior-period adjustment (Note 11) | 61,112 | (61,112) | - |
| As restated | <u>36,173,372</u> | <u>3,645,163</u> | <u>39,818,535</u> |
| Net Assets, End of Year | <u>\$ 33,345,991</u> | <u>\$ 3,898,332</u> | <u>\$ 37,244,323</u> |

See notes to consolidated financial statements

**REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY
AND AFFILIATE**

Consolidated Statement of Cash Flows

Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------|
| Change in net assets | \$ (2,574,212) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 2,046,650 |
| Deferred rent credit | 1,624,020 |
| Changes in operating assets and liabilities: | |
| Prepaid expenses and other assets | (102,746) |
| Due to/from Redeemer City to City | (522,567) |
| Lease security deposits | 235,978 |
| Accounts payable and accrued expenses | 103,345 |
| Security deposit payable | 184,035 |
| Net Cash Provided by Operating Activities | 994,503 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|-------------|
| Purchase of furnishings, equipment, and improvements | (1,849,311) |
| Net Cash Used by Investing Activities | (1,849,311) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|-------------|
| Repayment of loans payable | (2,655,446) |
| Repayment of capital lease obligations | 9,428 |
| Net Cash Used by Financing Activities | (2,646,018) |

| | |
|-------------------------------------|-------------|
| Change in Cash and Cash Equivalents | (3,500,826) |
|-------------------------------------|-------------|

| | |
|--|------------|
| Cash and Cash Equivalents, Beginning of Year | 12,224,824 |
|--|------------|

| | |
|--|--------------|
| Cash and Cash Equivalents, End of Year | \$ 8,723,998 |
|--|--------------|

SUPPLEMENTAL CASH FLOW INFORMATION

| | |
|---|--------------|
| Cash paid for interest | \$ 1,198,106 |
| Non-cash investing activity: | |
| Acquisition of equipment financed through capital lease | \$ 113,048 |

See notes to consolidated financial statements

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Notes to the Consolidated Financial Statements
December 31, 2015

1. NATURE OF ORGANIZATION:

Redeemer Presbyterian Church of New York City (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. Revenues of the Church consist primarily of contributions from Church members and the general public as well as counseling fee income, ministry program income, income from the sale of sermons and other media, rental income and royalty income.

Redeemer City to City (CTC or 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 up until September 30, 2015 required 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. Revenues of CTC consist primarily of contributions from Church members and the general public.

2. SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements have been prepared on the accrual basis. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated statements to the reader.

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 (U.S. GAAP) 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. As of September 30, 2015, the board of CTC voted and approved a change to the bylaws that no longer requires that the Church be able to appoint a majority of board members of CTC. As of that date, the Church may appoint up to 3 members to the board of CTC. As a result of this bylaw change, the Church no longer has control over CTC sufficient enough that consolidated financials would be required. These consolidated financial statements include the revenue and expense results of CTC for the period January 1, 2015 through September 30, 2015, at which point the net assets of CTC were deconsolidated from these consolidated financial statements.

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Notes to the Consolidated Financial Statements
December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS AND CREDIT RISK

Cash and cash equivalents consist of cash on hand and short-term highly liquid investments, with maturities of three months or less at the time of purchase except those designated as held for investment. While Redeemer's cash balances may at times exceed federally insured limits, it has not experienced any losses in such accounts. Redeemer believes it is not exposed to any significant credit risk on these accounts.

DONATED INVESTMENTS

Redeemer's general policy is to liquidate donated investments upon receipt. Donated investment of stock is initially reported at fair market value on the date of the gift. These contributions are then included with cash and cash equivalents.

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 office equipment and furnishings (5 to 10 years), computer equipment (3 to 5 years), website (3 years), leasehold improvements (10 years or the life of the lease, whichever is shorter), and building and improvements (40 years).

DEFERRED RENT CREDIT

Rent and related lease incentives are calculated ratably over the life of the leases and recognized on a straight-line basis. The deferred rent is the portion of the rent that is the difference of what is actually paid versus what is recognized.

NET ASSETS

Unrestricted net assets are currently available for use by Redeemer under the direction of the Session, designated for use by the Session for specific use, and resources invested in property, furnishings, equipment, and leasehold improvements, net of related debt.

Temporarily restricted net assets are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available until commitments regarding their use have been fulfilled.

CONTRIBUTIONS AND REVENUE

Contributions are recognized when made or 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.

Counseling, ministry program, sales, interest, rental and royalty revenues are reported in the period earned.

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Notes to the Consolidated Financial Statements
December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DONOR CONCENTRATION

During the year ended December 31, 2015, Redeemer received approximately 21% of its total contribution support from 5 donors, and approximately 12% of its general operating fund contribution support from 5 donors.

ALLOCATION OF FUNCTIONAL EXPENSES

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

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statement of activities. As of December 31, 2015, Redeemer had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements. CTC is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

3. PROPERTY, FURNISHINGS, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS:

Property, furnishings, equipment, and leasehold improvements at December 31, 2015 consisted of the following:

| | |
|----------------------------------|---------------|
| Buildings and improvements | \$ 42,861,517 |
| Leasehold improvements | 1,581,098 |
| Office equipment and furnishings | 1,513,098 |
| Computer equipment and website | 559,325 |
| | 46,515,038 |
| Less accumulated depreciation | (5,471,140) |
| | 41,043,898 |
| Land | 14,000,000 |
| | \$ 55,043,898 |

Depreciation expense for the year ended December 31, 2015 amounted to \$2,035,170.

Office equipment and furnishings acquired under capital leases at December 31, 2015, total \$462,145 with accumulated depreciation totaling \$245,185.

During the year ended December 31, 2015, Redeemer moved in to new office space. As a result of this move, certain office equipment, furnishings and leasehold improvements were disposed of. A number of these assets were not fully depreciated at the time of disposal. Included in depreciation expense is a loss on disposal of approximately \$108,000.

**REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY
AND AFFILIATE**

Notes to the Consolidated Financial Statements
December 31, 2015

4. CAPITAL LEASE OBLIGATION:

Future minimum rental obligations for office equipment and furniture under capital lease agreements as of December 31, 2015 are as follows:

| | | | |
|---------------------------------------|--|----|---------|
| 2016 | | \$ | 68,328 |
| 2017 | | | 33,536 |
| 2018 | | | 26,803 |
| 2019 | | | 21,533 |
| 2020 | | | 10,767 |
| Total Lease Payments | | | 160,967 |
| Less portion representing interest | | | 9,930 |
| Principal value of all capital leases | | \$ | 151,037 |

Interest expense on the capital lease obligation was approximately \$11,000 for the year ended December 31, 2015.

5. LOANS PAYABLE:

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 with an original principal balance of \$29,085,621 and an original term of ten years. The loan bears a fixed interest rate of 4.25%. Payments will be made on a twenty-five year amortization schedule with monthly loan payments of interest and principal of approximately \$144,336. A balloon payment of the remaining balance is due at the maturity of the loan in June 2024.

Total interest incurred for the year ended December 31, 2015 amounted to \$1,198,106. As of December 31, 2015, Redeemer is in compliance with all loan covenants.

Following are maturities for:

| | | | |
|---------------------------------|--|----|------------|
| <u>Year ending December 31,</u> | | | |
| 2016 | | \$ | 652,119 |
| 2017 | | | 680,380 |
| 2018 | | | 709,866 |
| 2019 | | | 740,630 |
| 2020 | | | 772,727 |
| Thereafter | | | 22,158,260 |
| | | \$ | 25,713,982 |

Deferred financing costs of \$231,585 associated with refinancing the existing mortgage loan outstanding are being amortized over the anticipated life of the mortgage loan. Accumulated amortization was \$15,439 at December 31, 2015. Amortization expense incurred in 2015 was \$11,480.

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Notes to the Consolidated Financial Statements
December 31, 2015

6. TEMPORARILY RESTRICTED NET ASSETS:

Net assets which were the subject of donor imposed restrictions held at December 31, 2015 and net assets released from restrictions during the year are follows:

| | Net Assets Held at Year End | Released During the Year |
|--|-----------------------------------|--------------------------------|
| RISE Campaign | \$ 2,277,809 | \$ 805,746 |
| Mercy Fund (Diaconate) | 655,648 | 607,910 |
| Building Fund | 254,369 | 272,438 |
| Center for Faith and Work - Gotham | 196,923 | 1,819 |
| Center for Faith and Work - Incubator | 104,504 | 35,419 |
| Hope for New York | 88,466 | 533,737 |
| Asia Relief | 71,854 | 252 |
| Center for Faith and Work | 70,219 | 2,808 |
| Other donor restricted contributions | 53,050 | 8,350 |
| New York City Disaster Relief | 51,769 | - |
| Promise of Hope Fund | 40,898 | 11,616 |
| Youth Scholarships | 32,823 | 1,567 |
| RENEW Campaign | - | 160,544 |
| Redeemer City to City temporarily restricted net assets released prior to date of deconsolidation | - | 2,082,065 |
| | \$ 3,898,332 | \$ 4,524,271 |

RISE CAMPAIGN

By 2026, Redeemer's vision is to see the body of Christ in center-city New York triple to 15%, which Redeemer believes might amount to a tipping point that does more than change individual lives, but enhances the long-term life of New York City for everyone in it. To achieve this goal, Redeemer launched the RISE Campaign with a goal to raise \$80 million, representing the first phase (2016-2019) of the ten year vision. Redeemer and Redeemer City to City plan to collectively raise \$80 million in funding from both the Redeemer community and from partners around the country in order to:

1. Help plant 87 new churches across New York in collaboration with Redeemer City to City and other partners.
2. Launch a new lay discipleship curriculum and partner with Redeemer City to City to expand a long-term pipeline of programs that identify and train vocational pastors for an urban context.
3. Pursue establishing a permanent East Side ministry home.

As of December 31, 2015, approximately \$3.1 million has been contributed towards the campaign. Approximately \$800,000 of campaign funds have been expended as of December 31, 2015, primarily on costs related to launching the campaign, for which the official public launch was in early 2016.

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Notes to the Consolidated Financial Statements
December 31, 2015

7. RENTAL COMMITMENTS:

Redeemer occupies office and counseling space under an operating lease beginning in 2015 and expiring on August 30, 2020. The lease contains provisions for 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. Redeemer sublets a portion of its office and counseling space under co-occupancy agreements. Rent reimbursed to Redeemer under these agreements was approximately \$257,000 during the year ended December 31, 2015, and was netted against rental expenses.

As part of its rental agreement under the operating lease for office space, Redeemer has obtained a letter of credit with a compensating balance held at a commercial bank of an amount no less than \$885,280 at all times as a lease security deposit required pursuant to the lease agreement. The letter of credit, which was effective June 9, 2014, shall be extended annually with a final expiration date of August 30, 2020. The balance at December 31, 2015 was \$886,907.

Redeemer rents worship space at two locations, one of which is under a lease that expires on December 25, 2016 and the other is rented on a month to month basis after the expiration of the old lease on June 30, 2015. Redeemer is in the process of negotiating a new lease with the landlord. Redeemer also leases space at various other venues for ministry activities on an as-needed basis.

Rental expense totaled approximately \$2,980,000 for 2015. Future remaining minimum commitments for operating leases with terms greater than one year as of December 31, 2015 are as follows:

| <u>Year ending December 31,</u> | |
|---------------------------------|---------------------|
| 2016 | \$ 1,805,971 |
| 2017 | 1,842,091 |
| 2018 | 1,878,932 |
| 2019 | 1,916,511 |
| 2020 | 1,303,227 |
| | <u>\$ 8,746,732</u> |

8. RETIREMENT PLAN:

Redeemer contributes to a multi-employer defined contribution church pension plan maintained by the Presbyterian Church in American 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. Retirement plan expense recognized in the year ended December 31, 2015 amounted to \$340,723.

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Notes to the Consolidated Financial Statements
December 31, 2015

9. COMMITMENTS AND CONTINGENCIES:

Redeemer established a self-insured health plan for its employees electing to participate in the plan. The plan is administered by a third party. Claims in excess of \$75,000 are covered by a stop loss insurance policy purchased by Redeemer. Claims incurred on the plan totaled approximately \$1,300,000 in 2015. Management believes that Redeemer has recorded appropriate health insurance reserves to cover the future costs of any self insured claims for 2015. Approximately \$172,000 as of December 31, 2015 is included in accounts payable and accrued expenses on the consolidated statement of financial position.

During 2015, Redeemer entered into a partnership agreement with Pathwright to create an innovative church education and discipleship platform. The terms of this agreement stipulate that Redeemer pay Pathwright a monthly fee of \$10,000 beginning on September 30, 2015 and ending on August 31, 2016. During this time period, Redeemer and Pathwright will work to develop the platform as well as receive use of the platform for an additional 3 year period at no charge. Payments made by Redeemer through December 31, 2015 amounted to approximately \$40,000 and are reported as a component of prepaid expenses and other assets on the consolidated statement of financial position. When the platform is launched, Redeemer will begin expensing the prepaid expense over the remaining term of the agreement.

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 reported in the consolidated financial statements.

10. RELATED PARTY TRANSACTIONS:

The Church manages the cash received and disbursed on the CTC's behalf. In addition, the Church also gives CTC an annual operating grant. The Church processed approximately \$1,139,000 in cash receipts on behalf of CTC and made operating grants totaling \$210,810 to CTC in 2015.

CTC operates under a shared leadership and development services agreement with the Church which expires on December 31, 2015. The agreement may be canceled at any time upon mutual agreement of the two parties. In exchange for the Church's Chief Executive Officer serving as CTC's Chief Executive Officer and Chairman of the Board, CTC reimburses the Church for 25 percent of the officer and his support staff's salary and benefits. For 2015, the fees paid to the Church under this agreement totaled \$133,557. CTC also reimburses the Church for any direct costs incurred by the Church. For 2015, the fees paid to the Church for direct billed costs totaled \$1,130,701.

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Notes to the Consolidated Financial Statements
December 31, 2015

10. RELATED PARTY TRANSACTIONS, continued:

CTC operates under a professional service agreement with the Church which expires on December 31, 2015. The agreement may be canceled at any time upon mutual agreement of the two parties. In exchange for receiving various administrative support from the Church, CTC pays the Church a fee of 3 to 4 percent of CTC's expenses with the exception of certain expenses to be billed directly based on the Church's costs incurred. For 2015, the fees paid to the Church under this agreement totaled \$327,721.

In 2015, CTC donated approximately \$173,000 to City to City Europe, a separately organized foreign organization. CTC holds one director seat out of three board of director seats of City to City Europe. In 2015, CTC donated approximately \$48,000 to City to City Asia Pacific, LTD., a separately organized foreign organization. CTC holds one director seat out of six board of director seats of City to City Asia Pacific, LTD.

11. PRIOR-PERIOD ADJUSTMENT:

During the year ended December 31, 2015, the Church identified a combination of contributions releases of temporarily restricted net assets that had been recognized in the accounting system for the year ended December 31, 2014, but were not reflected in the consolidated financial statements issued for that year. As a result of the correction of this error, beginning temporarily restricted net assets were reduced by \$61,112 and beginning unrestricted net assets were increased by \$61,112. This issue related solely to the year ended December 31, 2014 and did not affect years prior to that.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

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

We have audited the consolidated financial statements of Redeemer Presbyterian Church of New York City and Affiliate as of and for the year ended December 31, 2015, and our report thereon dated May 6, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of activities is presented for purposes of additional analysis of the consolidated financial statements and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

New York, New York
May 6, 2016

REDEEMER PRESBYTERIAN CHURCH OF NEW YORK CITY AND AFFILIATE

Consolidating Schedule of Activities Year Ended December 31, 2015

| | Redeemer Presbyterian Church of NYC 1/1/15 - 12/31/15 | Redeemer City to City 1/1/15 - 9/30/15 | Eliminations | Total |
|--|--|--|------------------|----------------------|
| CONTRIBUTIONS AND REVENUE: | | | | |
| Contributions: | | | | |
| General | \$ 18,658,070 | \$ - | \$ - | \$ 18,658,070 |
| RISE Campaign | 3,084,822 | - | - | 3,084,822 |
| Mercy and Justice | 553,516 | - | - | 553,516 |
| Redeemer City to City | - | 4,679,714 | (158,108) | 4,521,606 |
| Other | 1,074,968 | - | - | 1,074,968 |
| Total Contributions | 23,371,376 | 4,679,714 | (158,108) | 27,892,982 |
| Revenue: | | | | |
| Counseling | 1,792,268 | - | - | 1,792,268 |
| Ministry program | 561,288 | 36,847 | - | 598,135 |
| Sales of sermons, books, and others | 699,231 | 43,385 | - | 742,616 |
| Interest income | 9,087 | 23,071 | - | 32,158 |
| Rental income | 769,323 | - | - | 769,323 |
| Royalty income | 124,646 | 102,730 | - | 227,376 |
| Total Revenue | 3,955,843 | 206,033 | - | 4,161,876 |
| Total Contributions and Revenue | 27,327,219 | 4,885,747 | (158,108) | 32,054,858 |
| EXPENSES: | | | | |
| Congregations | 9,971,303 | - | - | 9,971,303 |
| Community Formation | 3,379,169 | - | - | 3,379,169 |
| Mercy and Justice | 1,566,184 | - | (158,108) | 1,408,076 |
| Center for Faith and Work | 1,332,497 | - | - | 1,332,497 |
| Redeemer City to City | - | 4,648,659 | - | 4,648,659 |
| Leadership, administration, facilities, and fundraising | 7,441,723 | 1,272,741 | - | 8,714,464 |
| Total Expenses | 23,690,876 | 5,921,400 | (158,108) | 29,454,168 |
| Change in net assets before deconsolidation | 3,636,343 | (1,035,653) | - | 2,600,690 |
| Deconsolidation of Redeemer City to City | - | (5,174,902) | - | (5,174,902) |
| Change in Net Assets | 3,636,343 | (6,210,555) | - | (2,574,212) |
| Net Assets, Beginning of Year | 33,607,980 | 6,210,555 | - | 39,818,535 |
| Net Assets, End of Year | \$ 37,244,323 | \$ - | \$ - | \$ 37,244,323 |

See auditors' report on supplementary information