

Financial Statements Together with
Report of Independent Certified Public Accountants

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

December 31, 2011 and 2010

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To His Eminence Archbishop Demetrios of America
and the Members of the Archdiocesan Council of the
Greek Orthodox Archdiocese of America:

We have audited the accompanying statements of financial position of the Greek Orthodox Archdiocese of America (the “Archdiocese”) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Archdiocese’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Archdiocese’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 1, the financial statements presented are only for the Archdiocese as referred to above and do not include the financial position, changes in net assets and cash flows of any affiliates of the Archdiocese. Accordingly, the accompanying financial statements are not intended to present the combined financial position of the Archdiocese and affiliates as of December 31, 2011 and 2010, or the changes in their combined net assets, or their combined cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greek Orthodox Archdiocese of America as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
July 3, 2013

GREEK ORTHODOX ARCHDIOCESE OF AMERICA
Statements of Financial Position
As of December 31, 2011 and 2010

| ASSETS | 2011 | 2010 |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 1,089,385 | \$ 1,055,366 |
| Accounts receivable | 67,140 | 91,566 |
| Investments, at fair value | 10,829,881 | 12,517,265 |
| Inventory | 589,681 | 550,327 |
| Due from related entities, net | 34,694 | 59,500 |
| Miscellaneous receivables and other assets | 102,522 | 97,373 |
| Prepaid expenses | 94,512 | 73,346 |
| Land, buildings and equipment, net | 4,095,974 | 4,025,997 |
| Beneficial interest in split-interest agreement | 311,373 | 330,272 |
| Investments held for others | 4,147,115 | 4,983,964 |
| Total assets | <u>\$ 21,362,277</u> | <u>\$ 23,784,976</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 4,153,617 | \$ 3,835,847 |
| Deferred revenue | 6,523 | 9,603 |
| Grants payable | - | 80,000 |
| Notes payable | 1,849,266 | 1,916,114 |
| Other accrued retirement benefits | 1,638,579 | 1,197,295 |
| Custody funds held for others | 4,147,115 | 4,983,964 |
| Total liabilities | <u>11,795,100</u> | <u>12,022,823</u> |
| Commitments and contingencies | | |
| NET ASSETS | | |
| Unrestricted | 1,636,194 | 1,980,611 |
| Temporarily restricted | 5,623,901 | 7,458,191 |
| Permanently restricted | 2,307,082 | 2,323,351 |
| Total net assets | <u>9,567,177</u> | <u>11,762,153</u> |
| Total liabilities and net assets | <u>\$ 21,362,277</u> | <u>\$ 23,784,976</u> |

The accompanying notes are an integral part of these statements.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Statements of Activities

For the years ended December 31, 2011 and 2010

| | 2011 | | | | 2010 | | | |
|---|---------------------|------------------------|------------------------|---------------------|---------------------|------------------------|------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES AND OTHER SUPPORT | | | | | | | | |
| National ministry commitment | \$ 18,564,231 | \$ - | \$ - | \$ 18,564,231 | \$ 17,604,959 | \$ - | \$ - | \$ 17,604,959 |
| Contributions and grants | 3,021,495 | 1,324,640 | - | 4,346,135 | 3,273,641 | 1,034,893 | - | 4,308,534 |
| Leadership 100 grants | - | 270,000 | - | 270,000 | - | 25,000 | - | 25,000 |
| FAITH grants | 418,949 | - | - | 418,949 | 467,900 | - | - | 467,900 |
| Ministries, publications and registry | 1,818,525 | - | - | 1,818,525 | 1,675,128 | - | - | 1,675,128 |
| Department of Religious Education - sales | 573,054 | - | - | 573,054 | 646,599 | - | - | 646,599 |
| Other income | 84,383 | - | - | 84,383 | 60,322 | - | - | 60,322 |
| Clergy Laity conference | - | - | - | - | 669,437 | - | - | 669,437 |
| Investment income | 248,293 | 60,428 | 2,630 | 311,351 | 489,308 | 213,550 | 547 | 703,405 |
| Change in fair value of beneficial interest in trust held by others | - | - | (18,899) | (18,899) | - | - | 4,672 | 4,672 |
| Net assets released from restrictions | 3,489,358 | (3,489,358) | - | - | 1,568,956 | (1,568,956) | - | - |
| Total revenues and other support | <u>28,218,288</u> | <u>(1,834,290)</u> | <u>(16,269)</u> | <u>26,367,729</u> | <u>26,456,250</u> | <u>(295,513)</u> | <u>5,219</u> | <u>26,165,956</u> |
| Expenses: | | | | | | | | |
| Program services: | | | | | | | | |
| Education | 6,358,803 | - | - | 6,358,803 | 5,503,144 | - | - | 5,503,144 |
| Metropolis Ministries | 5,271,780 | - | - | 5,271,780 | 5,054,906 | - | - | 5,054,906 |
| Orthodoxy in the World | 1,870,527 | - | - | 1,870,527 | 1,709,804 | - | - | 1,709,804 |
| Communications | 2,794,642 | - | - | 2,794,642 | 2,447,521 | - | - | 2,447,521 |
| Community services | 2,206,017 | - | - | 2,206,017 | 2,414,256 | - | - | 2,414,256 |
| Other program services - affiliated organizations | 1,789,218 | - | - | 1,789,218 | 494,114 | - | - | 494,114 |
| Retirement and clergy benefit expenses | 1,303,563 | - | - | 1,303,563 | 816,103 | - | - | 816,103 |
| Distributions for disaster relief | 506,585 | - | - | 506,585 | 425,773 | - | - | 425,773 |
| Clergy Laity conference | - | - | - | - | 836,520 | - | - | 836,520 |
| Total program services | <u>22,101,135</u> | <u>-</u> | <u>-</u> | <u>22,101,135</u> | <u>19,702,141</u> | <u>-</u> | <u>-</u> | <u>19,702,141</u> |
| Fundraising | 103,407 | - | - | 103,407 | 167,844 | - | - | 167,844 |
| General and administrative expenses | 6,358,163 | - | - | 6,358,163 | 5,609,220 | - | - | 5,609,220 |
| Total expenses | <u>28,562,705</u> | <u>-</u> | <u>-</u> | <u>28,562,705</u> | <u>25,479,205</u> | <u>-</u> | <u>-</u> | <u>25,479,205</u> |
| Changes in net assets | (344,417) | (1,834,290) | (16,269) | (2,194,976) | 977,045 | (295,513) | 5,219 | 686,751 |
| Net assets, beginning of year | 1,980,611 | 7,458,191 | 2,323,351 | 11,762,153 | 1,003,566 | 7,753,704 | 2,318,132 | 11,075,402 |
| Net assets, end of year | <u>\$ 1,636,194</u> | <u>\$ 5,623,901</u> | <u>\$ 2,307,082</u> | <u>\$ 9,567,177</u> | <u>\$ 1,980,611</u> | <u>\$ 7,458,191</u> | <u>\$ 2,323,351</u> | <u>\$ 11,762,153</u> |

The accompanying notes are an integral part of these statements.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Statements of Cash Flows

For the years ended December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ (2,194,976) | \$ 686,751 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | | |
| Depreciation | 195,844 | 234,315 |
| Net appreciation in fair value of investments | (43,087) | (494,267) |
| Change in fair value of beneficial interest in trust held by others | 18,899 | (4,672) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 24,426 | (42,438) |
| Inventory | (39,354) | 49,535 |
| Due from related entities | 24,806 | (25,344) |
| Miscellaneous receivables and other assets | (5,149) | 32,294 |
| Deferred expenses | - | 15,009 |
| Prepaid expenses | (21,166) | (29,399) |
| Accounts payable and accrued expenses | 317,770 | (500,041) |
| Deferred revenue | (3,080) | 2,629 |
| Grants payable | (80,000) | (257,500) |
| Other accrued retirement benefits | 441,284 | (64,008) |
| Net cash used in operating activities | <u>(1,363,783)</u> | <u>(397,136)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (5,866,647) | (4,798,824) |
| Proceeds from sales and maturities of investments | 7,597,118 | 5,089,171 |
| Purchases of fixed assets | (265,821) | (1,008,900) |
| Net cash provided by (used in) investing activities | <u>1,464,650</u> | <u>(718,553)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on notes payable | (66,848) | (39,667) |
| Net cash used in financing activities | <u>(66,848)</u> | <u>(39,667)</u> |
| Net increase (decrease) in cash and cash equivalents | 34,019 | (1,155,356) |
| Cash and cash equivalents, beginning of year | <u>1,055,366</u> | <u>2,210,722</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,089,385</u> | <u>\$ 1,055,366</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | <u>\$ 120,974</u> | <u>\$ 110,716</u> |

The accompanying notes are an integral part of these statements.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Notes to Financial Statements

December 31, 2011 and 2010

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Greek Orthodox Archdiocese of America (the “Archdiocese”) is the administrative body of the Greek Orthodox Church in America. The Archdiocese relies primarily on funding from its parishes located throughout the United States.

The Archdiocese is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state and local provisions. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Archdiocese has not been determined to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Archdiocese is related to a number of other entities by virtue of its charter with the Ecumenical Patriarchate, and by common board membership. The accompanying financial statements do not include the financial position, changes in net assets and cash flows of the following affiliated organizations:

- Holy Metropolises of Atlanta, Boston, Chicago, Denver, Detroit, New Jersey, Pittsburgh and San Francisco
- Hellenic College, Inc.
- The Cathedral School
- Greek Orthodox Archdiocesan Cathedral of the Holy Trinity (“Cathedral”)
- Saint Basil Academy
- Greek Ladies Philoptochos Society, Inc.
- St. Michael’s Home, Inc.
- Order of Saint Andrew the Apostle Archons of the Ecumenical Patriarchate
- The Archbishop Iakovos Leadership 100 Endowment Fund, Inc.
- FAITH: An Endowment for Orthodoxy & Hellenism

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Classifications of Net Assets

The net assets of the Archdiocese and changes therein are classified and reported based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Archdiocese. Included within unrestricted net assets is a board designated fund, the Cathedral Fund, that was designated by Archbishop Iakovos, to be used, upon approval, for the benefit of the Greek Orthodox Archdiocesan Cathedral of the Holy Trinity (“Cathedral”) and Cathedral-related projects. As of December 31, 2011 and 2010, the Cathedral Fund was \$2,148,090 and \$2,694,689, respectively, and is included as part of the Archdiocese’s investments in the accompanying statements of financial position.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Notes to Financial Statements

December 31, 2011 and 2010

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Archdiocese is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by the actions of the Archdiocese pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities.

Permanently Restricted – Net assets resulting from contributions whereby the principal has been restricted by the donor to be held and invested in perpetuity and the income used in accordance with the donor's stipulations, if any.

Cash and Cash Equivalents

The Archdiocese considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash and cash equivalents, except for those cash equivalents which are included in the Archdiocese's investment portfolio which are held for long-term investment purposes.

Investments

Investments in equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments in debt securities are measured using quoted market prices where available. If quoted market prices for debt securities are not available, the fair value is determined using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded markets for debt with similar terms to companies with comparable credit risk, the issuer's credit spread, and illiquidity by sector and maturity. All investments are managed by outside investment advisors subject to the review, approval, and control by the Archdiocese. Such valuations involve assumptions and methods that are reviewed by the Archdiocese.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are determined based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned. Contributed investments are valued at their fair market value on the date received.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurements

The Archdiocese follows guidance that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Notes to Financial Statements

December 31, 2011 and 2010

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the statement of financial position date or in the near term, which the Archdiocese has determined to be within 90 days.
- Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the statement of financial position date or in the near term or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Archdiocese. The Archdiocese considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Archdiocese’s perceived risk of that instrument.

In January 2010, the FASB issued guidance for improving disclosures about fair value measurements. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for such transfers. These disclosures were effective for the Archdiocese in 2010. In addition, the guidance requires a separate presentation of purchases and sales in the Level 3 asset reconciliation which were effective for the Archdiocese in 2011. The adoption of this guidance did not have a material effect on the Archdiocese’s financial statements.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Notes to Financial Statements

December 31, 2011 and 2010

Inventory

Inventory is valued at the lower of cost or market. Such inventory consists primarily of religious books, publications and other program-related literature and materials.

Receivables

Due to the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on the consideration of the type of receivable, responsible party, the known financial condition of the respective party, historical collection patterns and comparative aging. These allowances are maintained at a level management considers adequate to provide for subsequent adjustments and potential uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a party changes significantly, management will evaluate the recoverability of any receivables from that organization and write off any amounts that are no longer considered to be recoverable. Any payments subsequently collected on such receivables are recorded as income in the period received.

Land, Buildings and Equipment, Net

Land, buildings and equipment, net are recorded at cost or, if donated, at fair market value, at the date of the gift, less accumulated depreciation. The Archdiocese capitalizes land, buildings and equipment costing \$1,000 or more, which have a useful life of more than one year. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets, ranging from 3 to 50 years. Works of art are not depreciated.

Due To/From Related Entities

Amounts due to/from related entities represent amounts loaned to/from and or expenses paid on behalf of Archdiocesan affiliates.

Beneficial Interest in Trust Held by Others

The Archdiocese is the beneficiary of a perpetual trust whereby the donor contributed assets to a third-party trustee. The trustee distributes investment income annually to the Archdiocese and the other named beneficiaries in the percentages specified in the trust documents. These distributions are reported as an increase in unrestricted net assets.

The Archdiocese values the trust at its fair value, which is represented by the percentage ownership of the assets in the trust. Changes in the fair value of the trust's assets are reported in the accompanying statements of activities as increases (decreases) in permanently restricted net assets.

Investments Held for Others

The Archdiocese holds investments on behalf of others to be distributed in accordance with their direction. As these funds cannot be used or directed by the Archdiocese, a corresponding liability is recorded for the value of these investments and any unrealized gain or loss on these investments is recognized as an increase in the investments and an increase in the custody funds held for others liability.

Grants Payable

Grants payable represent unconditional promises to give that are expected to be paid within one year.

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Notes to Financial Statements

December 31, 2011 and 2010

Conditional Asset Retirement Obligation

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations ("CARO") are legal obligations associated with the retirement of tangible long-lived assets in which the timing and/or method of settlement is conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event. The Archdiocese has conditional asset retirement obligations primarily associated with the eventual remediation and abatement of asbestos located within the construct of their administration buildings. As of December 31, 2011 and 2010, a liability of approximately \$38,000 is included within accounts payable and accrued expenses in the accompanying statements of financial position.

Contributions and Grants

The Archdiocese records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted, depending on whether the donor has imposed a restriction on the use of such assets.

Contributions not expected to be received within one year are recognized as temporarily restricted support and are discounted using a credit-adjusted discount rate assigned in the year the pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Contributions are reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes when expenditures satisfy the donors' restrictions and such amounts are appropriated for expenditure by the Archdiocesan Council. Income amounts that exceed related expenditures during a fiscal period remain as temporarily restricted net assets.

The Archdiocese reports gifts of property, plant and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire assets are reported as restricted support. Absent explicit donor stipulations about how long such assets must be maintained, the Archdiocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

National Ministry Commitment

Every parish within the Archdiocese is given a suggested annual financial assessment to help support the mission of the Church. Due to the uncertainty of collection, such assessments are recognized as revenue in the period they are received.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Notes to Financial Statements

December 31, 2011 and 2010

Other Revenue

The Archdiocese generates revenue from programs and the sales of religious books, publications and other program related literature and materials. Such income is recorded in the period the services are performed or upon the date of sale. Clergy Laity conference income is earned in the period which the conference takes place.

Functional Allocation of Expenses

Costs related to the various programs and activities of the Archdiocese have been summarized on a functional basis in the accompanying statements of activities.

Income Taxes

The Archdiocese recognizes the tax effects from an uncertain tax position in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. Although the Archdiocese is exempt from income tax under Section 501(c)(3) of the Code, they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded under the Code. The tax years ending 2008, 2009, 2010 and 2011 are still open to audit for both federal and state purposes. As of December 31, 2011, management determined that there are no significant uncertain tax positions within its financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Archdiocese to concentrations of credit and market risk consist principally of cash and cash equivalents and investments on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. Management does not believe that a significant risk of loss due to the failure of a financial institution the Archdiocese utilizes is likely.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, receivables, prepaid expenses and accounts payable and accrued expenses is a reasonable estimate of their fair value due to their short-term nature. The carrying value of Archdiocese’s beneficial interest in trusts held by others is estimated based on the present value of expected future cash flows, and thus approximates fair value.

Reclassifications

Certain reclassifications were made to the 2010 financial statements to conform to the 2011 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2010 financial statements.

Use of Estimates

The preparation of 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, the 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.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA
Notes to Financial Statements
December 31, 2011 and 2010

3. INVESTMENTS, AT FAIR VALUE

As of December 31, 2011 and 2010, investments, at fair value, by fair value hierarchy, consisted of the following:

| | 2011 | | | Total |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash and cash equivalents | \$ 4,188,717 | \$ - | \$ - | \$ 4,188,717 |
| Common stock | 2,609,123 | - | - | 2,609,123 |
| Preferred stock | - | - | 67,215 | 67,215 |
| Mutual funds | 1,025,464 | - | - | 1,025,464 |
| Corporate bonds | 137,224 | 903,783 | - | 1,041,007 |
| Municipal bonds | - | 516,328 | 1,054,435 | 1,570,763 |
| U.S. government and agency securities | - | 51,383 | 276,209 | 327,592 |
| | <u>\$ 7,960,528</u> | <u>\$ 1,471,494</u> | <u>\$ 1,397,859</u> | <u>\$ 10,829,881</u> |

| | 2010 | | | Total |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash and cash equivalents | \$ 3,462,015 | \$ - | \$ - | \$ 3,462,015 |
| Common stock | 2,954,307 | - | - | 2,954,307 |
| Preferred stock | - | 25,000 | 75,000 | 100,000 |
| Mutual funds | 1,023,410 | - | - | 1,023,410 |
| Corporate bonds | - | 2,937,561 | - | 2,937,561 |
| Municipal bonds | - | 657,511 | 1,070,534 | 1,728,045 |
| U.S. government and agency securities | - | 53,419 | 258,508 | 311,927 |
| | <u>\$ 7,439,732</u> | <u>\$ 3,673,491</u> | <u>\$ 1,404,042</u> | <u>\$ 12,517,265</u> |

The following table summarizes the changes in Archdiocese's Level 3 investments for the years ended December 31, 2011 and 2010:

| | |
|--|---------------------|
| Balance as of January 1, 2010 (a) | \$ 3,041,844 |
| Sales | (1,704,683) |
| Net appreciation of investments | <u>66,881</u> |
| Balance as of December 31, 2010 | \$ 1,404,042 |
| Sales | (69,413) |
| Net appreciation of investments | <u>63,230</u> |
| Balance as of December 31, 2011 | <u>\$ 1,397,859</u> |

- (a) The Archdiocese's policy is to recognize transfers between the levels as of the actual date of the event or change in circumstances that caused the transfer.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA
Notes to Financial Statements
December 31, 2011 and 2010

Investment income consisted of the following for the years ended December 31, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Interest and dividends | \$ 268,264 | \$ 209,138 |
| Net realized and unrealized appreciation in fair value of investments | 43,087 | 494,267 |
| | <u>\$ 311,351</u> | <u>\$ 703,405</u> |

4. LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net, consisted of the following at December 31, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 471,223 | \$ 471,223 |
| Building and improvements | 6,068,944 | 5,803,123 |
| Furniture, fixtures and equipment | 2,246,516 | 2,246,516 |
| Website development costs | 464,263 | 464,263 |
| Fine arts | 8,910 | 8,910 |
| | <u>9,259,856</u> | <u>8,994,035</u> |
| Less: Accumulated depreciation | <u>(5,163,882)</u> | <u>(4,968,038)</u> |
| | <u>\$ 4,095,974</u> | <u>\$ 4,025,997</u> |

Depreciation expense amounted to \$195,844 and \$234,315 for the years ended December 31, 2011 and 2010, respectively.

5. NOTES PAYABLE

On July 31, 2009, the Archdiocese converted their existing line of credit facility to an unsecured term loan with Two River Community Bank of approximately \$1,967,000. Principal and interest of \$12,480 were payable monthly commencing on August 31, 2009 with the remaining balance due at maturity on July 31, 2011. The interest rate of this loan is fixed at 5.75%. Effective July 31, 2011, the term loan was extended to July 31, 2012 bearing a fixed interest rate of 5.75%. As of December 31, 2011 and 2010, amounts outstanding under this credit facility totaled \$1,849,266 and \$1,916,114, respectively. Effective July 31, 2012, the loan was extended further to July 31, 2015, bearing a fixed interest rate of 5.25%.

Future principal payments due as of December 31, 2011 are as follows:

| <u>Year Ending December 31:</u> | |
|--|---------------------|
| 2012 | \$ 54,826 |
| 2013 | 83,721 |
| 2014 | 88,287 |
| 2015 | 1,622,432 |
| | <u>\$ 1,849,266</u> |

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6. INVESTMENTS AND CUSTODY FUNDS HELD FOR OTHERS

As of December 31, 2011 and 2010, investments held for others, by fair value hierarchy, consisted of the following:

| | 2011 | | | Total |
|---------------------------------------|---------------------|----------------|-------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash and cash equivalents | \$ 1,048,654 | \$ - | \$ - | \$ 1,048,654 |
| Common stock | 1,126,824 | - | - | 1,126,824 |
| Municipal bonds | 644,708 | - | 299,749 | 944,457 |
| U.S. government and agency securities | 1,027,180 | - | - | 1,027,180 |
| | <u>\$ 3,847,366</u> | <u>\$ -</u> | <u>\$ 299,749</u> | <u>\$ 4,147,115</u> |

| | 2010 | | | Total |
|---------------------------------------|---------------------|---------------------|-------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash and cash equivalents | \$ 1,035,699 | \$ - | \$ - | \$ 1,035,699 |
| Common stock | 339,376 | - | - | 339,376 |
| Mutual funds | 1,029,228 | - | - | 1,029,228 |
| Municipal bonds | - | - | 306,600 | 306,600 |
| U.S. government and agency securities | 1,230,841 | 1,042,220 | - | 2,273,061 |
| | <u>\$ 3,635,144</u> | <u>\$ 1,042,220</u> | <u>\$ 306,600</u> | <u>\$ 4,983,964</u> |

The following table summarizes the changes in Archdiocese's Level 3 investment held for others for the years ended December 31, 2011 and 2010:

| | |
|--|-------------------|
| Balance as of January 1, 2010 (a) | \$ 319,375 |
| Net depreciation of investments | <u>(12,775)</u> |
| Balance as of December 31, 2010 | \$ 306,600 |
| Sales | (21,900) |
| Net appreciation of investments | <u>15,049</u> |
| Balance as of December 31, 2011 | <u>\$ 299,749</u> |

- (a) The Archdiocese's policy is to recognize transfers between the levels as of the actual date of the event or change in circumstances that caused the transfer.

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Additions, investment income (loss) and distributions of such accounts, which are excluded from the accompanying statements of activities, are shown below:

| | Balance at January 1, 2011 | Additions | Net Investment Income (Loss) | Release of Funds to Third Parties | Balance at December 31, 2011 |
|------------------------------------|---|------------------|---|--|---|
| Archbishop Iakovos Library Trust | \$ 1,127,649 | \$ - | \$ (6,023) | \$ (25,000) | \$ 1,096,626 |
| St. Basil Spyropoulos Fund | 580,775 | - | 2,732 | (4,068) | 579,439 |
| Orthodox Health Plan Dividend Fund | 2,203,133 | - | 15,728 | (609,690) | 1,609,171 |
| Spyridon Trust IM | 1,072,407 | - | (92,430) | (118,098) | 861,879 |
| | <u>\$ 4,983,964</u> | <u>\$ -</u> | <u>\$ (79,993)</u> | <u>\$ (756,856)</u> | <u>\$ 4,147,115</u> |

| | Balance at January 1, 2010 | Additions | Net Investment Income (Loss) | Release of Funds to Third Parties | Balance at December 31, 2010 |
|------------------------------------|---|------------------|---|--|---|
| Archbishop Iakovos Library Trust | \$ 1,238,437 | \$ - | \$ (10,788) | \$ (100,000) | \$ 1,127,649 |
| St. Basil Spyropoulos Fund | 541,522 | - | 42,913 | (3,660) | 580,775 |
| Orthodox Health Plan Dividend Fund | 2,419,400 | - | 8,647 | (224,914) | 2,203,133 |
| Spyridon Trust IM | 1,064,037 | - | 126,064 | (117,694) | 1,072,407 |
| | <u>\$ 5,263,396</u> | <u>\$ -</u> | <u>\$ 166,836</u> | <u>\$ (446,268)</u> | <u>\$ 4,983,964</u> |

7. EMPLOYEE BENEFIT PLANS

Pension Plan

The Archdiocese participates in a noncontributory defined benefit pension plan covering substantially all full-time lay employees and clergy. Retirement benefits are based on years of service and the employees' compensation during those years of service. Plan assets are held by third party investment managers and are invested in various marketable debt, equity and money market accounts. Minimum funding requirements are determined by an independent actuary.

The plan is considered a church plan and is therefore exempt from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. Due to the nature of the plan, it is not practicable to determine the extent to which the assets of the plan cover the actuarially computed value of vested benefits for the Archdiocese, on a standalone basis. In addition, because the plan is considered a multi-employer plan, it is only subject to certain minimum reporting requirements. Pension expense allocated to the Archdiocese for the years ended December 31, 2011 and 2010 amounted to \$612,000 and \$581,400, respectively. As of December 31, 2011 and 2010, amounts due to the pension plan totaled \$1,792,107 and \$1,450,844, respectively, and are included within accounts payable and accrued expenses in the accompanying statements of financial position.

Other Retirement Benefits

The Archdiocese also provides supplemental retirement benefits to certain hierarchs outside of the plan noted above. As of December 31, 2011 and 2010, the Archdiocese has recorded a liability of \$1,638,579 and \$1,197,295, respectively, for these benefits.

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8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, at December 31, 2011 and 2010, consisted of the following:

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Taylor Scholarship Fund | \$ 1,391,230 | \$ 1,586,142 |
| St. Nicholas Relief Fund | 1,465,963 | 2,608,233 |
| Katrina Hurricane Fund | 5,554 | 5,554 |
| Katina Malta Scholarship Fund | 435,403 | 420,551 |
| Miscellaneous Leadership 100 Grants | - | 108,394 |
| Hellenic College Scholarship Fund | 313,597 | 314,035 |
| Teacher Training Program | 10,070 | 10,070 |
| OCF Campus Ministry | 6,527 | 11,527 |
| Niarchos Archival Grant Fund | 129,928 | 257,036 |
| Halki Theological School Fund | 381 | 381 |
| Florida Hurricane Fund | 81,635 | 81,635 |
| Educational Scholarship Fund | 201,691 | 201,691 |
| Gioles Scholarship Fund | 47,948 | 39,187 |
| Greece Hurricane Relief Fund | 119,337 | 119,337 |
| James Tembelis Scholarship | 112,279 | 105,548 |
| Asian Disaster Fund | 4,570 | 4,570 |
| Clergy 100 | 1,000 | 1,000 |
| St. John Chrysostom Fund | 97,051 | 98,343 |
| Xanthippi Stavros Fund | 100,000 | 100,000 |
| Niarchos Greek Education Fund | 16,989 | 16,989 |
| September 11 th Relief Fund | 25,903 | 25,903 |
| Palelogos Scholarship fund | 72,275 | 57,275 |
| Ionian Village Capital Fund | - | 5,000 |
| Trakatellis Fellowship Fund | 194,865 | 200,000 |
| Haiti Relief Fund | 117,307 | 272,300 |
| Various other funds | 672,398 | 807,490 |
| | <u>\$ 5,623,901</u> | <u>\$ 7,458,191</u> |

Subsequent to December 31, 2011, the Archdiocese released all remaining temporarily restricted net assets from the St. Nicholas Relief Fund pertaining to costs incurred associated with the planned redevelopment of St. Nicholas Greek Orthodox Church ("St. Nicholas").

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Notes to Financial Statements

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9. NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor-restrictions by either incurring expenses or satisfying the restricted purpose during the years ended December 31, 2011 and 2010 as follows:

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Miscellaneous Leadership 100 Grants | \$ 378,394 | \$ 404,514 |
| Taylor Scholarship Fund | 221,615 | 271,302 |
| Archbishop Iakovos Writing – Niarchos Grant | - | 16,908 |
| St. Nicholas Relief Fund | 1,162,553 | 222,324 |
| Katina Malta Scholarship Fund | 50,515 | 24,995 |
| Niarchos Archival Grant Fund | 127,108 | 305 |
| Gioles Scholarship Fund | 5,010 | 8,500 |
| Faith : An Endowment for Orthodoxy and Hellenism | - | 146,013 |
| Paleologos Scholarship Fund | 30,000 | 45,000 |
| Haiti Relief Fund | 155,000 | 125,773 |
| St John Chrysostom Fund | 10,578 | 17,785 |
| Trakatellis Fellowship | 12,010 | - |
| Ionian Village Capital Fund | 21,196 | 284,836 |
| Hellenic College | 600,000 | - |
| Ecumenical Patriarchate | 500,000 | - |
| Retired Clergy | 59,500 | - |
| Other | 155,879 | 701 |
| | <u>\$ 3,489,358</u> | <u>\$ 1,568,956</u> |

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity. At December 31, 2011 and 2010, the Archdiocese's permanently restricted net assets consisted of the following:

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Taylor Scholarship Fund | \$ 1,000,000 | \$ 1,000,000 |
| Gioles Scholarship Fund* | 244,028 | 243,166 |
| Beneficial interest in George Marinos perpetual trust | 311,373 | 330,272 |
| James J. Tembelis Scholarship Fund* | 507,710 | 506,917 |
| Katina Malta Scholarship Fund* | 93,321 | 92,363 |
| Vlisidis Scholarship Fund | 38,361 | 38,344 |
| Other | 112,289 | 112,289 |
| | <u>\$ 2,307,082</u> | <u>\$ 2,323,351</u> |

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* Pursuant to the donor gift instrument, 90% of net income from the fund is to be distributed for individual scholarships and the remaining 10% of net income shall become permanently restricted and added to the corpus of the scholarship fund.

11. ENDOWMENT

The Archdiocese's donor-restricted (gifted) endowment consists of 7 individuals funds established for a variety of purposes, principally in support of the Archdiocese's mission; it excludes permanently restricted beneficial interests in trusts held by others. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. The Archdiocese classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets, until such amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Archdiocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; the possible effects of inflation and deflation; other resources of the Archdiocese; and the investment policy of the Archdiocese.

The Archdiocese has adopted investment and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support the Archdiocese's activities while seeking to maintain the purchasing power of the endowment assets. The Archdiocese's primary investment objective is to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

To satisfy its long-term rate-of-return objectives, the Archdiocese relies on a total return strategy, the objective of which is to achieve a return consisting of a combination of current income and capital appreciation, without regard to an emphasis on either, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The endowment portfolio is diversified among various net asset classes and strategies to help reduce risk.

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The following represents a detail of the endowment net asset composition, excluding third-party perpetual trusts in the amount of \$311,373 and \$330,272, as of December 31, 2011 and 2010, respectively.

| Composition of Endowment Net Assets by Type of Fund | 2011 | | | |
|--|--------------|---------------------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ - | \$ 634,024 | \$ 1,995,709 | \$ 2,629,733 |
| Changes in Endowment Net Assets | | | | |
| Endowment net assets, beginning of year | \$ - | \$ 578,982 | \$ 1,993,079 | \$ 2,572,061 |
| Investment return: | | | | |
| Investment income | - | 36,909 | 2,630 | 39,539 |
| Net appreciation (realized and unrealized) | - | 23,519 | - | 23,519 |
| Appropriation of endowment assets for expenditure | - | (5,386) | - | (5,386) |
| Contributions | - | - | - | - |
| Endowment net assets, end of year | \$ - | \$ 634,024 | \$ 1,995,709 | \$ 2,629,733 |
| 2010 | | | | |
| Composition of Endowment Net Assets by Type of Fund | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ - | \$ 578,982 | \$ 1,993,079 | \$ 2,572,061 |
| Changes in Endowment Net Assets | | | | |
| Endowment net assets, beginning of year | \$ - | \$ 365,432 | \$ 1,992,532 | \$ 2,357,964 |
| Investment return: | | | | |
| Investment income | - | 28,968 | 547 | 29,515 |
| Net appreciation (realized and unrealized) | - | 184,582 | - | 184,582 |
| Appropriation of endowment assets for expenditure | - | - | - | - |
| Contributions | - | - | - | - |
| Endowment net assets, end of year | \$ - | \$ 578,982 | \$ 1,993,079 | \$ 2,572,061 |

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12. RELATED PARTY TRANSACTIONS

The Archdiocese provided \$1,350,000 and \$1,200,000 to support the operations of Hellenic College in 2011 and 2010, respectively, and are included as part of education expense in the accompanying statements of activities. As of December 31, 2011 and 2010, remaining amounts due to Hellenic College were \$0 and \$80,000, respectively, and are included as grants payable in the accompanying statements of financial position.

The Archdiocese provided \$1,000,000 and \$800,000 to support the operations of the Ecumenical Patriarchate in 2011 and 2010, respectively, and are included as part of Orthodoxy in the World expense in the accompanying statements of activities.

The Archdiocese provided approximately \$146,000 and \$188,000 to support the operations of the Cathedral in 2011 and 2010, respectively. In 2011 and 2010, the Archdiocese provided additional support of approximately \$480,000 and \$86,000, respectively, to fund construction costs pertaining to the renovation of the Cathedral. Such amounts are included as part of other program services – affiliated organizations expense in the accompanying statements of activities.

The Archdiocese provided approximately \$1,163,000 and \$220,000 of support in 2011 and 2010, respectively, on behalf of St. Nicholas pertaining to costs incurred associated with the planned redevelopment of the church. Such amounts are included as part of other program services – affiliated organizations expense in the accompanying statements of activities.

The Archdiocese also pays the salaries and health insurance expenses of certain employees within each metropolis. In addition, the Archdiocese provides monthly grants to eligible metropolises to cover other operating expenses. Total Metropolis Ministries expenses for the years ended December 31, 2011 and 2010 were \$5,271,780 and \$5,054,906, respectively, as reflected on the accompanying statements of activities.

As of December 31, 2011 and 2010, amounts due from related parties totaled \$34,694 and \$59,500, respectively, net of allowance for doubtful accounts of \$1,301,791 and \$1,268,915, respectively. The activity for the allowance for impaired loans is as follows as of December 31, 2011:

| | <u>Total</u> |
|---|---------------------|
| Allowance for doubtful accounts, beginning of year | \$ 1,268,915 |
| Change in allowance | 32,876 |
| Recoveries of amounts previously reserved | - |
| Write-offs | - |
| Allowance for doubtful accounts, end of year | <u>\$ 1,301,791</u> |

Additionally, certain contributions received by the Archdiocese are from members of management and the Archdiocesan Council.

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13. COMMITMENTS AND CONTINGENCIES

The Archdiocese is involved in various lawsuits, which it is prepared to vigorously defend. The ultimate outcome of these matters cannot be determined at this time. Accordingly, no provision for any liability that may result from these matters has been made in the accompanying financial statements. Management believes that the liability, if any, resulting from these matters would not have a material effect on the accompanying financial statements.

The Archdiocese has entered into various noncancellable operating leases primarily for office equipment.

Future minimum lease payments due under these arrangements are as follows:

Year Ending December 31:

| | |
|------|------------------|
| 2012 | \$ 51,440 |
| 2013 | <u>34,224</u> |
| | <u>\$ 85,664</u> |

Rent expense amounted to approximately \$130,000 and \$191,000 for the years ended December 31, 2011 and 2010, respectively.

14. SUBSEQUENT EVENTS

The Archdiocese evaluated its December 31, 2011 financial statements for subsequent events through July 3, 2013, the date the financial statements were available to be issued. The Archdiocese is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements, except as disclosed in Notes 5 and 8.