

Financial Statements Together with
Report of Independent Certified Public Accountants

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

December 31, 2013 and 2012

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 financial statements of the Greek Orthodox Archdiocese of America (the “Archdiocese”) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

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

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

Opinion

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
September 12, 2014

GREEK ORTHODOX ARCHDIOCESE OF AMERICA
Statements of Financial Position
As of December 31, 2013 and 2012

ASSETS	2013	2012
Cash and cash equivalents	\$ 1,348,272	\$ 1,631,954
Accounts receivable	96,524	100,622
Investments, at fair value	9,075,554	8,598,941
Inventory, net	465,355	596,431
Due from related entities, net	176,030	44,450
Miscellaneous receivables and other assets	171,011	166,320
Prepaid expenses	15,750	36,405
Land, buildings and equipment, net	4,556,134	4,284,171
Beneficial interest in split-interest agreement	364,469	320,671
Investments held for others	<u>4,263,832</u>	<u>3,953,427</u>
Total assets	<u>\$ 20,532,931</u>	<u>\$ 19,733,392</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,079,725	\$ 2,983,717
Deferred revenue	5,207	5,558
Notes payable	1,709,680	1,801,094
Pension and other accrued retirement benefits	3,981,245	3,829,127
Custody funds held for others	<u>4,263,832</u>	<u>3,953,427</u>
Total liabilities	<u>13,039,689</u>	<u>12,572,923</u>
Commitments and contingencies		
NET ASSETS		
Unrestricted	(687,591)	(285,889)
Temporarily restricted	5,814,228	5,126,917
Permanently restricted	<u>2,366,605</u>	<u>2,319,441</u>
Total net assets	<u>7,493,242</u>	<u>7,160,469</u>
Total liabilities and net assets	<u>\$ 20,532,931</u>	<u>\$ 19,733,392</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, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
National ministry commitment	\$ 19,532,644	\$ -	\$ -	\$ 19,532,644	\$ 18,793,965	\$ -	\$ -	\$ 18,793,965
Contributions and grants	1,792,456	2,437,436	-	4,229,892	1,634,673	2,006,035	-	3,640,708
Leadership 100 grants	-	944,300	-	944,300	-	446,250	-	446,250
FAITH grants	-	198,138	-	198,138	-	585,000	-	585,000
Ministries, publications and registry	2,529,024	-	-	2,529,024	1,996,910	-	-	1,996,910
Department of Religious Education - sales	498,051	-	-	498,051	535,352	-	-	535,352
Clergy Laity conference	-	-	-	-	729,143	-	-	729,143
Investment income	642,343	694,353	3,366	1,340,062	232,731	259,163	3,061	494,955
Change in fair value of beneficial interest in trust held by others	-	-	43,798	43,798	-	-	9,298	9,298
Net assets released from restrictions	3,586,916	(3,586,916)	-	-	3,793,432	(3,793,432)	-	-
Total revenues and other support	28,581,434	687,311	47,164	29,315,909	27,716,206	(496,984)	12,359	27,231,581
Expenses:								
Program services:								
Education	7,067,680	-	-	7,067,680	6,463,810	-	-	6,463,810
Metropolis Ministries	5,864,588	-	-	5,864,588	5,512,862	-	-	5,512,862
Orthodoxy in the World	1,913,818	-	-	1,913,818	1,826,053	-	-	1,826,053
Communications	3,054,574	-	-	3,054,574	3,174,632	-	-	3,174,632
Community services	2,372,604	-	-	2,372,604	2,136,617	-	-	2,136,617
Other program services - affiliated organizations	587,932	-	-	587,932	2,032,092	-	-	2,032,092
Retirement and clergy benefit expenses	678,734	-	-	678,734	807,587	-	-	807,587
Distributions for disaster relief	648,655	-	-	648,655	976,079	-	-	976,079
Clergy Laity conference	-	-	-	-	706,186	-	-	706,186
Total program services	22,188,585	-	-	22,188,585	23,635,918	-	-	23,635,918
Fundraising	140,772	-	-	140,772	153,122	-	-	153,122
General and administrative expenses	6,653,779	-	-	6,653,779	5,849,249	-	-	5,849,249
Total expenses	28,983,136	-	-	28,983,136	29,638,289	-	-	29,638,289
Changes in net assets	(401,702)	687,311	47,164	332,773	(1,922,083)	(496,984)	12,359	(2,406,708)
Net assets, beginning of year	(285,889)	5,126,917	2,319,441	7,160,469	1,636,194	5,623,901	2,307,082	9,567,177
Net assets, end of year	\$ (687,591)	\$ 5,814,228	\$ 2,366,605	\$ 7,493,242	\$ (285,889)	\$ 5,126,917	\$ 2,319,441	\$ 7,160,469

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 332,773	\$ (2,406,708)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	159,082	143,864
Writedown of inventory	155,070	-
Net appreciation in fair value of investments	(1,150,493)	(303,090)
Change in fair value of beneficial interest in trust held by others	(43,798)	(9,298)
Changes in assets and liabilities:		
Accounts receivable	4,098	(33,482)
Inventory	(23,994)	(6,750)
Due from related entities	(131,580)	(9,756)
Miscellaneous receivables and other assets	(4,691)	(63,798)
Prepaid expenses	20,655	58,107
Accounts payable and accrued expenses	96,008	622,207
Deferred revenue	(351)	(965)
Pension and other accrued retirement benefits	152,118	398,441
Net cash used in operating activities	<u>(435,103)</u>	<u>(1,611,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,980,135)	(4,932,395)
Proceeds from sales and maturities of investments	5,654,015	7,466,425
Purchases of fixed assets	<u>(431,045)</u>	<u>(332,061)</u>
Net cash provided by investing activities	<u>242,835</u>	<u>2,201,969</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	<u>(91,414)</u>	<u>(48,172)</u>
Net cash used in financing activities	<u>(91,414)</u>	<u>(48,172)</u>
Net (decrease) increase in cash and cash equivalents	(283,682)	542,569
Cash and cash equivalents, beginning of year	<u>1,631,954</u>	<u>1,089,385</u>
Cash and cash equivalents, end of year	<u>\$ 1,348,272</u>	<u>\$ 1,631,954</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 85,782</u>	<u>\$ 119,506</u>

The accompanying notes are an integral part of these statements.

GREEK ORTHODOX ARCHDIOCESE OF AMERICA

Notes to Financial Statements

December 31, 2013 and 2012

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 Orthodox 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. (“Leadership 100”)
- FAITH: An Endowment for Orthodoxy & Hellenism (“FAITH”)

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, 2013 and 2012, the Cathedral Fund had a balance of \$1,206,281 and \$1,199,583, respectively, and is included as part of the Archdiocese’s investments in the accompanying statements of financial position.

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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.

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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.

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.

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. As of December 31, 2013, a reserve for obsolescence was recorded of \$55,710 and during 2013, inventory of \$99,360 was written off.

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

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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.

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, 2013 and 2012, a liability of \$45,523 is included within accounts payable and accrued expenses in the accompanying statements of financial position.

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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.

Other Revenue

The Archdiocese generates revenue from programs, including summer camps, 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. These costs can generally be identified with the program service to which they relate and are charged accordingly. Other expenses by function, have been allocated amongst the programs and supporting services benefited on the basis of the number of employees per department .

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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 2010, 2011, 2012 and 2013 are still open to audit for both federal and state purposes. As of December 31, 2013, 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 expense, accounts payable and accrued expenses and notes payable 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.

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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2012 financial statements.

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Notes to Financial Statements
December 31, 2013 and 2012

3. INVESTMENTS, AT FAIR VALUE

As of December 31, 2013 and 2012, investments, at fair value, by fair value hierarchy, consisted of the following:

	2013			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,455,396	\$ -	\$ -	\$ 1,455,396
Common stock	3,679,213	-	-	3,679,213
Mutual funds	1,434,197	-	-	1,434,197
Corporate bonds	-	312,186	-	312,186
Municipal bonds	-	1,466,985	-	1,466,985
Auction rate securities	-	595,730	46,845	642,575
Fixed income annuity	-	-	85,002	85,002
	<u>\$ 6,568,806</u>	<u>\$ 2,374,901</u>	<u>\$ 131,847</u>	<u>\$ 9,075,554</u>

	2012			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,025,618	\$ -	\$ -	\$ 1,025,618
Common stock	2,771,167	-	-	2,771,167
Mutual funds	1,147,724	-	-	1,147,724
Corporate bonds	-	434,432	-	434,432
Municipal bonds	-	1,903,118	-	1,903,118
Auction rate securities	-	-	1,316,882	1,316,882
	<u>\$ 4,944,509</u>	<u>\$ 2,337,550</u>	<u>\$ 1,316,882</u>	<u>\$ 8,598,941</u>

The following table summarizes the changes in Archdiocese's Level 3 investments for the years ended December 31, 2013 and 2012:

Balance as of January 1, 2012 ^(a)	\$ 1,397,859
Sales	(75,000)
Net depreciation of investments	<u>(5,977)</u>
Balance as of December 31, 2012	1,316,882
Purchases	165,002
Sales	(1,013,000)
Transfer out ^(b)	(337,824)
Net appreciation of investments	<u>787</u>
Balance as of December 31, 2013	<u>\$ 131,847</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.

^(b) Transferred to Level 2 due to observable lighter trading in the exact security near the measurement date that was used as the basis for price.

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Notes to Financial Statements

December 31, 2013 and 2012

Investment income consisted of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 189,569	\$ 191,865
Net appreciation in fair value of investments	<u>1,150,493</u>	<u>303,090</u>
	<u>\$ 1,340,062</u>	<u>\$ 494,955</u>

4. LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net, consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 471,223	\$ 471,223
Building and improvements	6,829,544	6,401,005
Furniture, fixtures and equipment	2,249,022	2,246,516
Website development costs	464,263	464,263
Fine arts	<u>8,910</u>	<u>8,910</u>
	10,022,962	9,591,917
Less: Accumulated depreciation	<u>(5,466,828)</u>	<u>(5,307,746)</u>
	<u>\$ 4,556,134</u>	<u>\$ 4,284,171</u>

Depreciation expense amounted to \$159,082 and \$143,864 for the years ended December 31, 2013 and 2012, respectively.

5. NOTES PAYABLE

The Archdiocese has an unsecured term loan with Two River Community Bank. Principal and interest of \$12,480 were payable monthly with the remaining balance due at maturity on July 31, 2012 bearing a fixed interest rate of 5.75%. Effective July 31, 2012, the loan was extended to July 31, 2015, bearing a fixed interest rate of 5.25%. As of December 31, 2013 and 2012, amounts outstanding under the term loan totaled \$1,709,680 and \$1,801,094, respectively. On March 21, 2014, the balance of the loan was paid in full.

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6. INVESTMENTS AND CUSTODY FUNDS HELD FOR OTHERS

As of December 31, 2013 and 2012, investments held for others, by fair value hierarchy, consisted of the following:

	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,281,534	\$ -	\$ -	\$ 1,281,534
Common stock	503,186	-	-	503,186
Mutual funds	848,455	-	-	848,455
Corporate bonds	-	60,789	-	60,789
Municipal bonds	-	91,054	-	91,054
U.S. government and agency securities	-	963,262	-	963,262
Auction rate securities	-	257,906	257,646	515,552
	<u>\$ 2,633,175</u>	<u>\$ 1,373,011</u>	<u>\$ 257,646</u>	<u>\$ 4,263,832</u>

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 989,479	\$ -	\$ -	\$ 989,479
Common stock	1,199,624	-	-	1,199,624
Corporate bonds	-	10,350	-	10,350
Municipal bonds	-	60,551	-	60,551
U.S. government and agency securities	130,163	1,303,412	-	1,433,575
Auction rate securities	-	-	259,848	259,848
	<u>\$ 2,319,266</u>	<u>\$ 1,374,313</u>	<u>\$ 259,848</u>	<u>\$ 3,953,427</u>

The following table summarizes the changes in Archdiocese's Level 3 investment held for others for the years ended December 31, 2013 and 2012:

Balance as of January 1, 2012 ^(a)	\$ 299,749
Sales	(25,000)
Net depreciation of investments	<u>(14,901)</u>
Balance as of December 31, 2012	259,848
Sales	(23,422)
Net appreciation of investments	<u>21,220</u>
Balance as of December 31, 2013	<u>\$ 257,646</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 pertaining to such accounts, which are excluded from the accompanying statements of activities, are shown below:

	Balance at January 1, 2013	Additions	Net Investment Income (Loss)	Release of Funds to Third Parties	Balance at December 31, 2013
Archbishop Iakovos Library Trust	\$ 1,082,218	\$ 398	\$ 22,798	\$ -	1,105,414
St. Basil Spyropoulos Fund	624,729	-	126,470	(5,096)	746,103
Orthodox Health Plan Dividend Fund	1,406,212	-	(8,841)	(419,379)	977,992
Spyridon Trust IM	840,268	10,257	143,784	(117,913)	876,396
St. Nicholas Church Rebuilding Fund*	-	1,173,629	3,298	(619,000)	557,927
	<u>\$ 3,953,427</u>	<u>\$ 1,184,284</u>	<u>\$ 287,509</u>	<u>\$ (1,161,388)</u>	<u>\$ 4,263,832</u>

	Balance at January 1, 2012	Additions	Net Investment Income (Loss)	Release of Funds to Third Parties	Balance at December 31, 2012
Archbishop Iakovos Library Trust	\$ 1,096,626	\$ -	\$ (14,408)	\$ -	\$ 1,082,218
St. Basil Spyropoulos Fund	579,439	-	49,679	(4,389)	624,729
Orthodox Health Plan Dividend Fund	1,609,171	-	2,811	(205,770)	1,406,212
Spyridon Trust IM	861,879	-	96,306	(117,917)	840,268
	<u>\$ 4,147,115</u>	<u>\$ -</u>	<u>\$ 134,388</u>	<u>\$ (328,076)</u>	<u>\$ 3,953,427</u>

* In 2013, the Archdiocese commenced a capital campaign on behalf of and for the specific purpose of rebuilding St. Nicholas Greek Orthodox Church ("St. Nicholas"). As St. Nicholas is the specified and ultimate beneficiary of any contributions received from this campaign, the Archdiocese is accounting for this arrangement as an agency transaction. As such, contributions received resulting from the capital campaign and subsequent disbursements made by the Archdiocese from these funds, are not reflected in the accompanying 2013 statement of activities. Alternatively, funds collected are recorded as an asset, within investments held for others, and a corresponding liability, within custody funds held for others, on the statement of financial position. Subsequent disbursements are recorded as a reduction of the assets and corresponding liability balances.

7. EMPLOYEE BENEFIT PLANS

Pension Plans

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, 2013 and 2012 amounted to \$608,000 and \$654,000, respectively. As of December 31, 2013 and 2012, amounts due to the pension plan totaled \$2,603,035 and \$2,284,143, respectively, and are included within pension and other accrued retirement benefits in the accompanying statements of financial position.

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The Archdiocese also sponsors a noncontributory 403(b) defined contribution plan for all employees. For the years ended December 31, 2013 and 2012, there were no employer contributions to the 403(b) defined contribution plan.

Other Retirement Benefits

The Archdiocese also provides supplemental retirement benefits to certain hierarchs outside of the plan noted above. As of December 31, 2013 and 2012, the Archdiocese has recorded a liability of \$1,378,210 and \$1,544,984, respectively, for these benefits.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, at December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Taylor Scholarship Fund	\$ 1,657,994	\$ 1,366,904
St. Nicholas Relief Fund	-	521,574
Katrina Hurricane Fund	5,554	5,554
Katina Malta Scholarship Fund	518,331	451,828
Miscellaneous Leadership 100 Grants	587,783	193,446
Hellenic College Scholarship Fund	312,660	313,597
Teacher Training Program	10,070	10,070
Niarchos Archival Grant Fund	123,740	123,740
Florida Hurricane Fund	81,635	81,635
Educational Scholarship Fund	201,691	201,691
Gioles Scholarship Fund	125,269	77,095
Greece Hurricane Relief Fund	119,337	119,337
James Tembelis Scholarship	282,188	159,595
Asian Disaster Fund	4,570	4,570
Clergy 100	1,000	1,000
St. John Chrysostom Fund	80,539	85,842
Xanthippi Stavros Fund	100,000	100,000
Niarchos Greek Education Fund	16,988	16,989
September 11 th Relief Fund	25,903	25,903
Palelogos Scholarship fund	86,775	85,275
Relief Fund for the People of Greece	230	102,599
Miscellaneous FAITH Grants	42,000	45,600
Trakatellis Fellowship Fund	187,472	190,482
Haiti Relief Fund	85,789	110,789
Cyprus Relief Fund	219,646	-
Philippines Typhoon Relief Fund	68,432	-
Irene Ladas Scholarship for Seminaries	200,000	-
Various other funds	668,632	731,802
	<u>\$ 5,814,228</u>	<u>\$ 5,126,917</u>

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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, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Taylor Scholarship Fund	\$ 153,705	\$ 175,581
St. Nicholas Relief Fund	521,574	948,106
Miscellaneous Leadership 100 Grants	549,963	252,804
Hellenic College	600,000	100,000
Ecumenical Patriarchate	500,000	500,000
Cyprus Relief Fund	327,405	-
Hurricane Sandy Relief Fund	93,385	90,466
Miscellaneous FAITH Grants	201,738	539,400
Relief Fund for the People of Greece	181,000	880,000
Byzantine Choir	278,381	50,000
Katina Malta Scholarship Fund	35,000	40,956
Paleologos Scholarship Fund	30,500	20,000
Haiti Relief Fund	25,000	6,518
St John Chrysostom Fund	11,412	17,386
Gioles Scholarship Fund	10,010	5,000
Trakatellis Fellowship Fund	6,010	6,383
Niarchos Archival Grant Fund	-	6,188
Retired Clergy	-	51,000
Other	61,833	103,644
	<u>\$ 3,586,916</u>	<u>\$ 3,793,432</u>

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity. At December 31, 2013 and 2012, the Archdiocese's permanently restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Taylor Scholarship Fund	\$ 1,000,000	\$ 1,000,000
James J. Tembelis Scholarship Fund*	509,551	508,489
Beneficial interest in George Marinos perpetual trust	364,469	320,671
Gioles Scholarship Fund*	247,510	245,215
Other	112,289	112,289
Katina Malta Scholarship Fund*	95,781	94,407
Vlisidis Scholarship Fund	37,005	38,370
	<u>\$ 2,366,605</u>	<u>\$ 2,319,441</u>

* 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.

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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 \$364,469 and \$320,671, as of December 31, 2013 and 2012, respectively.

Composition of Endowment Net Assets by Type of Fund	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,572,188	\$ 2,002,136	\$ 3,574,324
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	\$ -	\$ 887,121	\$ 1,998,770	\$ 2,885,891
Investment return:				
Investment income	-	50,542	4,052	54,594
Net appreciation (depreciation)	-	645,399	(686)	644,713
Appropriation of endowment assets for expenditure	-	(10,874)	-	(10,874)
Contributions	-	-	-	-
Endowment net assets, end of year	\$ -	\$ 1,572,188	\$ 2,002,136	\$ 3,574,324
2012				
Composition of Endowment Net Assets by Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 887,121	\$ 1,998,770	\$ 2,885,891
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	\$ -	\$ 634,023	\$ 1,995,709	\$ 2,629,732
Investment return:				
Investment income	-	46,143	1,855	47,998
Net appreciation	-	212,393	1,206	213,599
Appropriation of endowment assets for expenditure	-	(5,438)	-	(5,438)
Contributions	-	-	-	-
Endowment net assets, end of year	\$ -	\$ 887,121	\$ 1,998,770	\$ 2,885,891

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12. RELATED PARTY TRANSACTIONS

The Archdiocese provided \$1,500,000 to support the operations of Hellenic College in both 2013 and 2012 and such amounts are included as part of education expense in the accompanying statements of activities.

The Archdiocese provided \$1,000,000 to support the operations of the Ecumenical Patriarchate in both 2013 and 2012 and such amounts are included as part of Orthodoxy in the World expense in the accompanying statements of activities.

The Archdiocese provided \$66,358 and \$162,553 to support the operations of the Cathedral in 2013 and 2012, respectively. In 2012, the Archdiocese provided additional support of \$923,572 to fund construction costs pertaining to the renovation of the Cathedral and such amounts were allocated from and reduced the Cathedral Fund. Such amounts are included as part of other program services – affiliated organizations expense in the accompanying statements of activities.

The Archdiocese provided \$521,574 and \$948,106 of support in 2013 and 2012, 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.

During 2013, the Archdiocese received \$944,300 and \$198,138 of grants from Leadership 100 and FAITH, respectively. During 2012, the Archdiocese received \$446,250 and \$585,000 of grants from Leadership 100 and FAITH, respectively. Such grants were recorded as increases to temporarily restricted net assets to benefit specific programs of the Archdiocese as stipulated by the governing boards of the respective affiliates.

As of December 31, 2013 and 2012, amounts due from related parties totaled \$176,030 and \$44,450, respectively, net of allowance for doubtful accounts of \$1,363,884 and \$1,333,225, respectively. The activity for the allowance for doubtful accounts is as follows as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Allowance for doubtful accounts, beginning of year	\$ 1,333,225	\$ 1,301,791
Change in allowance	<u>30,659</u>	<u>31,434</u>
Allowance for doubtful accounts, end of year	<u>\$ 1,363,884</u>	<u>\$ 1,333,225</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, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Archdiocese is not aware of any claims or contingencies, which are not covered by insurance, that would have a material adverse effect on the Archdiocese's financial position, changes in net assets or cash flows. Accordingly, no provision for any liability that may result from these matters has been made in the accompanying financial statements.

14. SUBSEQUENT EVENTS

The Archdiocese evaluated its December 31, 2013 financial statements for subsequent events through September 12, 2014, 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 Note 5.