

Financial Statements Together with  
Report of Independent Certified Public Accountants

**GREEK ORTHODOX ARCHDIOCESE OF AMERICA**

December 31, 2015 and 2014

# 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, 2015 and 2014, 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, 2015 and 2014, 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  
October 6, 2016

**GREEK ORTHODOX ARCHDIOCESE OF AMERICA**  
**Statements of Financial Position**  
**As of December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,668,575	\$ 992,368
Accounts receivable	110,047	122,885
Investments, at fair value	9,486,109	9,287,280
Inventory, net	538,581	541,517
Due from related entities, net	129,967	-
Miscellaneous receivables and other assets	333,272	185,747
Prepaid expenses	23,060	7,492
Land, buildings and equipment, net	4,462,109	4,542,092
Beneficial interest in split-interest agreement	344,285	367,872
Investments held for others	<u>5,419,244</u>	<u>6,799,764</u>
Total assets	<u>\$ 22,515,249</u>	<u>\$ 22,847,017</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,863,116	\$ 2,419,938
Deferred revenue	3,106	1,591
Grants payable	687,500	250,000
Pension and other accrued retirement benefits	2,709,201	3,894,632
Custody funds held and amounts due to related parties	<u>8,337,127</u>	<u>9,219,917</u>
Total liabilities	<u>15,600,050</u>	<u>15,786,078</u>
Commitments and contingencies		
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	(1,630,939)	(1,182,406)
Temporarily restricted	6,191,738	5,869,625
Permanently restricted	<u>2,354,400</u>	<u>2,373,720</u>
Total net assets	<u>6,915,199</u>	<u>7,060,939</u>
Total liabilities and net assets	<u>\$ 22,515,249</u>	<u>\$ 22,847,017</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, 2015 and 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>								
National ministry commitment	20,449,640	\$ -	\$ -	\$ 20,449,640	\$ 19,645,583	\$ -	\$ -	\$ 19,645,583
Contributions and grants	793,736	839,082	-	1,632,818	2,110,760	2,420,212	-	4,530,972
Leadership 100 grants	-	1,360,243	-	1,360,243	-	667,402	-	667,402
FAITH grants	-	183,250	-	183,250	-	276,750	-	276,750
Ministries, publications and registry	3,255,895	-	-	3,255,895	2,643,843	-	-	2,643,843
Department of Religious Education - sales	425,157	-	-	425,157	457,945	-	-	457,945
Clergy Laity conference	-	-	-	-	909,560	-	-	909,560
Investment income	179,351	158,588	4,267	342,206	323,233	337,272	3,712	664,217
Change in fair value of beneficial interest in trust held by others	-	-	(23,587)	(23,587)	-	-	3,403	3,403
Net assets released from restrictions	2,219,050	(2,219,050)	-	-	3,646,239	(3,646,239)	-	-
<b>Total revenues and other support</b>	<b>27,322,829</b>	<b>322,113</b>	<b>(19,320)</b>	<b>27,625,622</b>	<b>29,737,163</b>	<b>55,397</b>	<b>7,115</b>	<b>29,799,675</b>
<b>Expenses:</b>								
<b>Program services:</b>								
Education	6,809,653	-	-	6,809,653	6,788,081	-	-	6,788,081
Metropolis Ministries	6,303,304	-	-	6,303,304	6,784,901	-	-	6,784,901
Orthodoxy in the World	2,043,937	-	-	2,043,937	2,022,417	-	-	2,022,417
Communications	2,371,357	-	-	2,371,357	2,496,288	-	-	2,496,288
Community services	2,597,828	-	-	2,597,828	2,732,688	-	-	2,732,688
Other program services - affiliated organizations	-	-	-	-	12,333	-	-	12,333
Retirement and clergy benefit expenses	888,488	-	-	888,488	994,578	-	-	994,578
Distributions for disaster relief	79,126	-	-	79,126	412,609	-	-	412,609
Clergy Laity conference	-	-	-	-	915,131	-	-	915,131
<b>Total program services</b>	<b>21,093,693</b>	<b>-</b>	<b>-</b>	<b>21,093,693</b>	<b>23,159,026</b>	<b>-</b>	<b>-</b>	<b>23,159,026</b>
Fundraising	93,259	-	-	93,259	193,852	-	-	193,852
General and administrative expenses	6,584,410	-	-	6,584,410	6,879,100	-	-	6,879,100
<b>Total expenses</b>	<b>27,771,362</b>	<b>-</b>	<b>-</b>	<b>27,771,362</b>	<b>30,231,978</b>	<b>-</b>	<b>-</b>	<b>30,231,978</b>
Changes in net assets	(448,533)	322,113	(19,320)	(145,740)	(494,815)	55,397	7,115	(432,303)
Net assets, beginning of year	(1,182,406)	5,869,625	2,373,720	7,060,939	(687,591)	5,814,228	2,366,605	7,493,242
Net assets, end of year	<u>\$ (1,630,939)</u>	<u>\$ 6,191,738</u>	<u>\$ 2,354,400</u>	<u>\$ 6,915,199</u>	<u>\$ (1,182,406)</u>	<u>\$ 5,869,625</u>	<u>\$ 2,373,720</u>	<u>\$ 7,060,939</u>

*The accompanying notes are an integral part of these statements.*

**GREEK ORTHODOX ARCHDIOCESE OF AMERICA**  
**Statements of Cash Flows**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (145,740)	\$ (432,303)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,247	145,538
Net appreciation in fair value of investments	(205,591)	(486,402)
Change in fair value of beneficial interest in trust held by others	23,587	(3,403)
Changes in assets and liabilities:		
Accounts receivable	12,838	(26,361)
Inventory	2,936	(76,162)
Due from related entities	(129,967)	176,030
Miscellaneous receivables and other assets	(147,525)	(14,736)
Prepaid expenses	(15,568)	8,258
Accounts payable and accrued expenses	1,443,178	(659,787)
Deferred revenue	1,515	(3,616)
Grants payable	437,500	250,000
Custody funds held and amounts due to related parties	497,730	2,420,153
Pension and other accrued retirement benefits	(1,185,431)	(86,613)
Net cash provided by operating activities	<u>735,709</u>	<u>1,210,596</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(4,442,041)	(4,240,485)
Proceeds from sales and maturities of investments	4,448,803	4,515,161
Purchases of fixed assets	(66,264)	(131,496)
Net cash (used in) provided by investing activities	<u>(59,502)</u>	<u>143,180</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	-	(1,709,680)
Net cash used in financing activities	<u>-</u>	<u>(1,709,680)</u>
Net increase (decrease) in cash and cash equivalents	676,207	(355,904)
Cash and cash equivalents, beginning of year	<u>992,368</u>	<u>1,348,272</u>
Cash and cash equivalents, end of year	<u>\$ 1,668,575</u>	<u>\$ 992,368</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 3,666</u>

*The accompanying notes are an integral part of these statements.*

# GREEK ORTHODOX ARCHDIOCESE OF AMERICA

## Notes to Financial Statements

December 31, 2015 and 2014

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### 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 (“US GAAP”) 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, 2015 and 2014, the Cathedral Fund had a balance of \$1,213,578 and \$1,211,484, respectively, and is included as part of the Archdiocese’s investments in the accompanying statements of financial position.



# GREEK ORTHODOX ARCHDIOCESE OF AMERICA

## Statements of Cash Flows

### December 31, 2015 and 2014

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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.

# **GREEK ORTHODOX ARCHDIOCESE OF AMERICA**

## **Statements of Cash Flows**

### **December 31, 2015 and 2014**

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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, 2015 and 2014, a reserve for obsolescence was recorded of \$55,710.

#### **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

# **GREEK ORTHODOX ARCHDIOCESE OF AMERICA**

## **Statements of Cash Flows**

### **December 31, 2015 and 2014**

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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, the fair value of these investments is also reflected as a liability and included within custody funds held and amounts due to related parties in the accompanying statements of financial position. Any unrealized gain or loss on these investments is recognized as an increase or decrease in the investments and an increase or decrease in the custody funds held and amounts due to related parties 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

# **GREEK ORTHODOX ARCHDIOCESE OF AMERICA**

## **Statements of Cash Flows**

### **December 31, 2015 and 2014**

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retirement obligations primarily associated with the eventual remediation and abatement of asbestos located within the construct of their administration buildings. As of December 31, 2015 and 2014, a liability of \$45,523 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.

#### **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

# **GREEK ORTHODOX ARCHDIOCESE OF AMERICA**

## **Statements of Cash Flows**

### **December 31, 2015 and 2014**

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been allocated amongst the programs and supporting services benefited on the basis of the number of employees per department.

#### **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 ended 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. As of December 31, 2015, 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 US GAAP 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 2014 financial statements in order to conform to the 2015 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2014 financial statements.

**GREEK ORTHODOX ARCHDIOCESE OF AMERICA**  
**Statements of Cash Flows**  
**December 31, 2015 and 2014**

**3. INVESTMENTS, AT FAIR VALUE**

As of December 31, 2015 and 2014, investments, at fair value, by fair value hierarchy, consisted of the following:

	<b>2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 1,519,910	\$ -	\$ -	\$ 1,519,910
Common stock	3,929,141	-	-	3,929,141
Mutual funds	1,539,485	-	-	1,539,485
Corporate bonds	-	23,539	-	23,539
Municipal bonds	-	2,216,965	-	2,216,965
Auction rate securities	-	167,125	-	167,125
Fixed income annuity	-	-	89,944	89,944
	<u>\$ 6,988,536</u>	<u>\$ 2,407,629</u>	<u>\$ 89,944</u>	<u>\$ 9,486,109</u>

  

	<b>2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 1,390,442	\$ -	\$ -	\$ 1,390,442
Common stock	3,772,160	-	-	3,772,160
Mutual funds	1,570,001	-	-	1,570,001
Corporate bonds	-	188,215	-	188,215
Municipal bonds	-	1,991,565	-	1,991,565
Auction rate securities	-	-	287,445	287,445
Fixed income annuity	-	-	87,452	87,452
	<u>\$ 6,732,603</u>	<u>\$ 2,179,780</u>	<u>\$ 374,897</u>	<u>\$ 9,287,280</u>

The following table summarizes the changes in Archdiocese's Level 3 investments for the years ended December 31, 2015 and 2014:

<b>Balance as of January 1, 2014</b> <sup>(a)</sup>	\$ 131,847
Transfer in <sup>(b)</sup>	238,945
Net appreciation of investments	<u>4,105</u>
<b>Balance as of December 31, 2014</b>	374,897
Sales	(121,500)
Transfer out <sup>(c)</sup>	(167,125)
Net appreciation of investments	<u>3,672</u>
<b>Balance as of December 31, 2015</b>	<u>\$ 89,944</u>

<sup>(a)</sup> 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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- (b) Transferred to Level 3 due to less observable trading in the exact security near the measurement date that was used as the basis for price.
- (c) 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.

Investment income consisted of the following for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 136,615	\$ 177,815
Net appreciation in fair value of investments	<u>205,591</u>	<u>486,402</u>
	<u>\$ 342,206</u>	<u>\$ 664,217</u>

**4. LAND, BUILDINGS AND EQUIPMENT, NET**

Land, buildings and equipment, net, consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 471,223	\$ 471,223
Building and improvements	6,996,007	6,960,478
Furniture, fixtures and equipment	2,280,319	2,249,584
Website development costs	464,263	464,263
Fine arts	<u>8,910</u>	<u>8,910</u>
	10,220,722	10,154,458
Less: Accumulated depreciation	<u>(5,758,613)</u>	<u>(5,612,366)</u>
	<u>\$ 4,462,109</u>	<u>\$ 4,542,092</u>

Depreciation expense amounted to \$146,247 and \$145,538 for the years ended December 31, 2015 and 2014, respectively.

**5. NOTES PAYABLE**

On March 21, 2014, the balance of the loan with Two River Community Bank of \$1,709,680, scheduled to mature on July 31, 2015, was paid in full by the Archdiocese.

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**6. INVESTMENTS AND CUSTODY FUNDS HELD FOR OTHERS**

As of December 31, 2015 and 2014, investments held for others, by fair value hierarchy, consisted of the following:

	<b>2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash equivalents	\$ 2,747,069	\$ -	\$ -	\$ 2,747,069
Common stock	573,630	-	-	573,630
Mutual funds	646,334	-	-	646,334
Corporate bonds	-	11,084	-	11,084
Municipal bonds	-	201,368	-	201,368
U.S. government and agency securities	-	518,364	-	518,364
Auction rate securities	-	382,000	-	382,000
	<u>\$ 3,967,033</u>	<u>\$ 1,112,816</u>	<u>\$ -</u>	5,079,849
Cash held for investment				339,395
				<u>\$ 5,419,244</u>
	<b>2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash equivalents	\$ 2,335,159	\$ -	\$ -	\$ 2,335,159
Common stock	542,576	-	-	542,576
Mutual funds	714,737	-	-	714,737
Corporate bonds	-	10,031	-	10,031
Municipal bonds	-	171,333	-	171,333
U.S. government and agency securities	-	514,531	-	514,531
Auction rate securities	-	-	453,901	453,901
	<u>\$ 3,592,472</u>	<u>\$ 695,895</u>	<u>\$ 453,901</u>	4,742,268
Cash held for investment				2,057,496
				<u>\$ 6,799,764</u>



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The following table summarizes the changes in Archdiocese's Level 3 investment held for others for the years ended December 31, 2015 and 2014:

<b>Balance as of January 1, 2014</b> <sup>(a)</sup>	\$ 257,646
Sales	(25,000)
Transfer in <sup>(b)</sup>	211,401
Net appreciation of investments	<u>9,854</u>
<b>Balance as of December 31, 2014</b>	453,901
Sales	(71,989)
Transfer out <sup>(c)</sup>	(382,000)
Net appreciation of investments	<u>88</u>
<b>Balance as of December 31, 2015</b>	<u>\$ -</u>

<sup>(a)</sup> 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.

<sup>(b)</sup> Transferred to Level 3 due to less observable trading in the exact security near the measurement date that was used as the basis for price.

<sup>(c)</sup> 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.

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

	<b>Balance at January 1, 2015</b>	<b>Additions</b>	<b>Net Investment Income (Loss)</b>	<b>Release of Funds to Third Parties</b>	<b>Balance at December 31, 2015</b>
Archbishop Iakovos Library Trust	\$ 1,015,601	\$ -	\$ 52	\$ (50,000)	\$ 965,653
St. Basil Spyropoulos Fund	786,987	-	28,867	-	815,854
Orthodox Health Plan Dividend Fund	839,371	-	7,744	-	847,115
Spyridon Trust IM	795,214	-	(11,004)	(117,500)	666,710
St. Nicholas Church Rebuilding Fund <sup>*</sup>	<u>5,782,744</u>	<u>4,851,194</u>	<u>(15,911)</u>	<u>(5,576,232)</u>	<u>5,041,795</u>
	<u>\$ 9,219,917</u>	<u>\$ 4,851,194</u>	<u>\$ 9,748</u>	<u>\$ (5,743,732)</u>	<u>\$ 8,337,127</u>

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	Balance at January 1, 2014	Additions	Net Investment Income (Loss)	Release of Funds to Third Parties	Balance at December 31, 2014
Archbishop Iakovos Library Trust	\$ 1,105,414	\$ -	\$ 10,187	\$ (100,000)	\$ 1,015,601
St. Basil Spyropoulos Fund	746,103	-	40,884	-	786,987
Orthodox Health Plan Dividend Fund	977,992	230,397	10,999	(380,017)	839,371
Spyridon Trust IM	876,396	-	36,318	(117,500)	795,214
St. Nicholas Church Rebuilding Fund*	965,124	8,772,578	38,934	(3,993,892)	5,782,744
	<u>\$ 4,671,029</u>	<u>\$ 9,002,975</u>	<u>\$ 137,322</u>	<u>\$ (4,591,409)</u>	<u>\$ 9,219,917</u>

As of December 31, 2015 and 2014, the Archdiocese had custody funds held and amounts due to related parties of \$8,337,127 and \$9,219,917, respectively, of which \$5,419,244 and \$6,799,764, respectively, are included within investments held for others on the accompanying statements of financial position.

\* 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 statements of activities. Alternatively, funds collected are recorded as an asset within investments held for others and the fair value of these investments is also reflected as a liability and included within custody funds held and amounts due to related parties on the accompanying statements of financial position. Any unrealized gain or loss on these investments is recognized as an increase or decrease in these investments and liabilities. Subsequent disbursements are recorded as a reduction of these assets and liabilities 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, 2015 and 2014 amounted to \$720,000 and \$714,600, respectively. As of December 31, 2015 and 2014, amounts due to the pension plan totaled \$1,442,487 and \$2,529,657, respectively, and are included within pension and other accrued retirement benefits in the accompanying statements of financial position.

The Archdiocese also sponsors a noncontributory 403(b) defined contribution plan for all employees. For the years ended December 31, 2015 and 2014, there were no employer contributions to the 403(b) defined contribution plan.

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**Other Retirement Benefits**

The Archdiocese also provides supplemental retirement benefits to certain hierarchs outside of the plan noted above. As of December 31, 2015 and 2014, the Archdiocese has recorded a liability of \$1,266,714 and \$1,364,975, respectively, for these benefits, and are included within pension and other accrued retirement benefits in the accompanying statements of financial position.

**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets, at December 31, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Taylor Scholarship Fund	\$ 1,596,676	\$ 1,655,202
Katina Malta Scholarship Fund	562,637	563,474
Gioles Scholarship Fund	128,446	143,147
James Tembelis Scholarship	356,960	349,969
St. John Chrysostom Fund	78,978	73,890
Palelogos Scholarship fund	91,825	85,775
Trakatellis Fellowship Fund	175,884	183,854
Irene Ladas Scholarship for Seminaries	99,250	136,500
Other scholarships and educational programs	871,089	981,458
Disaster and emergency relief and assistance	647,313	661,407
Orthodoxy in the World	514,593	205,948
Community services	783,051	553,086
Various other programs	285,036	275,915
	<u>\$ 6,191,738</u>	<u>\$ 5,869,625</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, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Taylor Scholarship Fund	\$ 205,664	\$ 190,288
Katina Malta Scholarship Fund	34,000	32,000
Gioles Scholarship Fund	13,010	13,510
St John Chrysostom Fund	12,549	20,964
Paleologos Scholarship Fund	44,000	33,000
Trakatellis Fellowship Fund	8,000	6,010
Irene Ladas Estate Scholarship For Seminaries	37,250	63,500
Other scholarships and educational programs	348,035	460,573
Disaster and emergency relief and assistance	89,250	381,425
Orthodoxy in the World	761,355	109,389
Community services	398,235	103,545
Town of Westfield Bank - Credit Line	-	1,725,869
Various other programs	267,702	506,166
	<u>\$ 2,219,050</u>	<u>\$ 3,646,239</u>

**10. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity. At December 31, 2015 and 2014, the Archdiocese's permanently restricted net assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Taylor Scholarship Fund	\$ 1,000,000	\$ 1,000,000
James J. Tembelis Scholarship Fund*	513,543	512,355
Beneficial interest in George Marinos perpetual trust	344,285	367,872
Gioles Scholarship Fund*	250,355	248,165
Katina Malta Scholarship Fund*	96,480	95,991
Vlisidis Scholarship Fund	37,448	37,048
Other	112,289	112,289
	<u>\$ 2,354,400</u>	<u>\$ 2,373,720</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 \$344,285 and \$367,872, as of December 31, 2015 and 2014, respectively.

<b>Composition of Endowment Net Assets by Type of Fund</b>	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 2,030,840	\$ 2,010,115	\$ 4,040,955
<b>Changes in Endowment Net Assets</b>				
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 1,890,486	\$ 2,005,848	\$ 3,896,334
Investment return:				
Interest and dividends	-	66,696	6,283	72,979
Net appreciation (depreciation)	-	87,597	(2,016)	85,581
Appropriation of endowment assets for expenditure	-	(13,939)	-	(13,939)
Contributions	-	-	-	-
<b>Endowment net assets, end of year</b>	\$ -	\$ 2,030,840	\$ 2,010,115	\$ 4,040,955
<b>2014</b>				
<b>Composition of Endowment Net Assets by Type of Fund</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,890,486	\$ 2,005,848	\$ 3,896,334
<b>Changes in Endowment Net Assets</b>				
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 1,572,188	\$ 2,002,136	\$ 3,574,324
Investment return:				
Interest and dividends	-	54,526	5,849	60,375
Net appreciation (depreciation)	-	278,229	(2,137)	276,092
Appropriation of endowment assets for expenditure	-	(14,457)	-	(14,457)
Contributions	-	-	-	-
<b>Endowment net assets, end of year</b>	\$ -	\$ 1,890,486	\$ 2,005,848	\$ 3,896,334

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**12. RELATED PARTY TRANSACTIONS**

The Archdiocese provided \$ 1,500,000 to support the operations of Hellenic College in both 2015 and 2014 and such amounts are included as part of education expense in the accompanying statements of activities. As of December 31, 2015 and 2014, amounts due to Hellenic College totaled \$187,500 and \$250,000, respectively, and are included within grants payable in the accompanying statements of financial position.

The Archdiocese provided \$1,000,000 to support the operations of the Ecumenical Patriarchate in both 2015 and 2014 and such amounts are included as part of Orthodoxy in the World expense in the accompanying statements of activities. As of December 31, 2015, amounts due to Ecumenical Patriarchate totaled \$500,000, and are included within grants payable in the accompanying 2015 statement of financial position.

During 2015, the Archdiocese received \$1,360,243 and \$183,250 of grants from Leadership 100 and FAITH, respectively. During 2014, the Archdiocese received \$677,402 and \$276,750 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, 2015 and 2014, amounts due from related parties totaled \$129,967 and \$0, respectively, net of allowance for doubtful accounts of \$1,410,276 and \$1,395,941, respectively. The activity for the allowance for doubtful accounts is as follows as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<b>Allowance for doubtful accounts, beginning of year</b>	\$ 1,395,941	\$ 1,363,884
Change in allowance	<u>14,335</u>	<u>32,057</u>
<b>Allowance for doubtful accounts, end of year</b>	<u>\$ 1,410,276</u>	<u>\$ 1,395,941</u>

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

**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, 2015 financial statements for subsequent events through October 6, 2016, 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.