

HELLENIC COLLEGE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010



HELLENIC COLLEGE, INC.

Statement of Financial Position

June 30, 2011 and 2010

HELLENIC COLLEGE, INC.

Financial Statements

June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Hellenic College, Inc.
Brookline, MA

We have audited the accompanying statements of financial position of Hellenic College, Inc. (the "College") as of June 30, 2011 and 2010, and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the College's 2010 financial statements and, in our report dated October 13, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hellenic College, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2011, on our consideration of the College's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

O'Connor & Drew, P.C.

Certified Public Accountants

October 13, 2011

HELLENIC COLLEGE, INC.

Statements of Financial Position

June 30, 2011

(with summarized information as of June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Assets:					
Cash and equivalents	\$ 98,034	\$ 342,965	\$ -	\$ 440,999	\$ 575,209
Accounts and other receivables, net (Note 3)	129,446	27,093	-	156,539	365,160
Inventory, net	129,767	-	-	129,767	125,998
Investments (Notes 4 and 5)	(424,363)	7,960,722	18,339,343	25,875,702	22,623,047
Prepaid expenses	150,679	-	-	150,679	131,545
Due from Archdiocese (Note 6)	-	-	-	-	300,000
Interfund receivable (payable) (Note 7)	(1,057,087)	333,618	723,469	-	-
Property, plant and equipment, net (Note 8)	12,778,778	-	-	12,778,778	13,386,266
Other asset (Note 10)	568,621	-	-	568,621	1,135,000
Beneficial interest in third party trust (Note 11)	-	2,256,919	-	2,256,919	1,905,694
Total Assets	<u>\$ 12,373,875</u>	<u>\$ 10,921,317</u>	<u>\$ 19,062,812</u>	<u>\$ 42,358,004</u>	<u>\$ 40,547,919</u>
Liabilities and Net Assets:					
Line of credit (Note 12)	\$ 230,000	\$ -	\$ -	\$ 230,000	\$ 220,000
Accounts payable and accrued liabilities	927,969	-	-	927,969	1,024,018
Deferred revenues (Note 13)	62,797	169,406	-	232,203	418,211
Long-term debt (Notes 14)	6,534,656	-	-	6,534,656	6,828,034
Total Liabilities	<u>7,755,422</u>	<u>169,406</u>	<u>-</u>	<u>7,924,828</u>	<u>8,490,263</u>
Net Assets:					
Unrestricted	4,618,453	-	-	4,618,453	5,431,967
Temporarily restricted (Note 15)	-	10,751,911	-	10,751,911	7,420,588
Permanently restricted (Note 17)	-	-	19,062,812	19,062,812	19,205,101
Total Net Assets	<u>4,618,453</u>	<u>10,751,911</u>	<u>19,062,812</u>	<u>34,433,176</u>	<u>32,057,656</u>
Total Liabilities and Net Assets	<u>\$ 12,373,875</u>	<u>\$ 10,921,317</u>	<u>\$ 19,062,812</u>	<u>\$ 42,358,004</u>	<u>\$ 40,547,919</u>

The accompanying notes are an integral part of the financial statements.

HELLENIC COLLEGE, INC.

Statements of Activities and Change in Net Assets

For the Year Ended June 30, 2011

(with summarized information for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Operating:					
Revenues, Gains, and Other Support:					
Tuition and fees	\$ 4,164,158	\$ -	\$ -	\$ 4,164,158	\$ 3,601,706
Room and board	<u>2,061,950</u>	-	-	<u>2,061,950</u>	<u>1,894,534</u>
Tuition, fees, room and board	6,226,108	-	-	6,226,108	5,496,240
Less: financial aid	<u>(3,888,600)</u>	-	-	<u>(3,888,600)</u>	<u>(2,947,836)</u>
Net tuition, fees, room and board	2,337,508	-	-	2,337,508	2,548,404
Archdiocese grant (Note 6)	1,275,000	-	-	1,275,000	1,200,000
Contributions	2,146,540	1,092,118	231,327	3,469,985	5,358,684
Dividend and interest income	15	443,243	-	443,258	311,127
Realized gain on sale of investments	-	686,027	-	686,027	885,617
Net unrealized gain on investments	645,661	3,385,724	-	4,031,385	471,833
Holy Cross bookstore	394,904	-	-	394,904	383,531
Other income	485,975	-	-	485,975	505,268
Net assets released from donor restrictions (Note 16)	<u>3,000,630</u>	<u>(2,627,014)</u>	<u>(373,616)</u>	-	-
Total revenues, gains and other support	<u>10,286,233</u>	<u>2,980,098</u>	<u>(142,289)</u>	<u>13,124,042</u>	<u>11,664,464</u>
Expenses:					
Educational:					
Instruction and library services	4,290,920	-	-	4,290,920	3,858,112
Student housing and food services	1,459,234	-	-	1,459,234	1,369,148
Holy Cross book store	461,734	-	-	461,734	494,039
Student services	883,341	-	-	883,341	857,270
General and administrative:					
Interest expense	187,605	-	-	187,605	209,791
Development and fundraising	305,060	-	-	305,060	324,625
Operations and maintenance of plant	824,978	-	-	824,978	798,826
Administrative and institutional	<u>2,120,496</u>	-	-	<u>2,120,496</u>	<u>1,707,047</u>
Total Expenses	<u>10,533,368</u>	-	-	<u>10,533,368</u>	<u>9,618,858</u>
Change in Operating Net Assets	(247,135)	2,980,098	(142,289)	2,590,674	2,045,606
Non Operating:					
Loss from impairment of other asset (Note 10)	(566,379)			(566,379)	-
Change in beneficial interest in third party trust (Note 11)	<u>-</u>	<u>351,225</u>	-	<u>351,225</u>	<u>18,369</u>
Change in Net Assets	(813,514)	3,331,323	(142,289)	2,375,520	2,063,975
Net Assets, Beginning of Year	<u>5,431,967</u>	<u>7,420,588</u>	<u>19,205,101</u>	<u>32,057,656</u>	<u>29,993,681</u>
Net Assets, End of Year	<u>\$ 4,618,453</u>	<u>\$ 10,751,911</u>	<u>\$ 19,062,812</u>	<u>\$ 34,433,176</u>	<u>\$ 32,057,656</u>

The accompanying notes are an integral part of the financial statements.

HELLENIC COLLEGE, INC.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,375,520	\$ 2,063,975
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Bad debts	93,862	37,219
Depreciation	875,085	813,125
Net unrealized and realized gains on investments	(4,717,412)	(1,357,450)
Change in interest of third party trust	(351,225)	(18,369)
Change in assets and liabilities:		
Accounts and other receivable	114,759	(100,941)
Prepaid expenses	(19,134)	(72,241)
Inventory	(3,769)	6,838
Due from Archdiocese	300,000	300,000
Other assets	566,379	-
Accounts payable and accrued liabilities	(96,049)	152,018
Deferred revenue	<u>(186,008)</u>	<u>(20,569)</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(1,047,992)</u>	<u>1,803,605</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(267,597)	(382,930)
Net proceeds from (acquisition of) investments	<u>1,464,757</u>	<u>(1,057,447)</u>
Net Cash Provided by (Applied to) Investing Activities	<u>1,197,160</u>	<u>(1,440,377)</u>
Cash Flows from Financing Activities:		
Net proceeds from (payments on) line of credit	10,000	(140,000)
Payments on long term debt	<u>(293,378)</u>	<u>(284,620)</u>
Net Cash Applied to Financing Activities	<u>(283,378)</u>	<u>(424,620)</u>
Decrease in Cash and Equivalents	(134,210)	(61,392)
Cash and Equivalents, Beginning of Year	<u>575,209</u>	<u>636,601</u>
Cash and Equivalents, End of Year	<u>\$ 440,999</u>	<u>\$ 575,209</u>
<u>Supplemental Information:</u>		
Cash paid for interest	<u>\$ 187,077</u>	<u>\$ 208,797</u>

The accompanying notes are an integral part of the financial statements.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements

June 30, 2011 and 2010

Note 1 - **Organization**

Hellenic College, Inc. (the "College"), is an independent coeducational institution of higher learning affiliated with the Greek Orthodox Archdiocese of America (the "Archdiocese"). Accredited by the New England Association of Schools and Colleges and the Association of Theological Schools, the College consists of an undergraduate liberal arts college and a graduate school of theology. The graduate school of theology's mission is to educate and prepare candidates to become priests of the Archdiocese. The College is located on a 52.5-acre campus in Brookline, Massachusetts. A significant portion of the College's support is designated to come from the Archdiocese and the Archbishop Iakovos Leadership 100 Fund (Note 6). The remainder of the College's support comes from tuition, fees and related educational services, contributions and investment income. The College participates in student financial aid programs sponsored by the United States Department of Education, which facilitates the payment of tuition and other expenses for students.

Note 2 - **Summary of Significant Accounting Policies**

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the College and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities. Contributions received during the year containing restrictions that are met during the same year are then reversed and presented as net assets released from donor restrictions.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies - Continued

Financial Statement Presentation - Continued

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently. The donors of these assets permit the College to use all or part of the income earned on any related investments for general or specific purposes. In addition, in some cases, the donor has authorized temporary borrowings from corpus whereby the borrowings are to be paid back as soon as practicable.

Cash and Equivalents

For financial statement purposes, the College considers all highly liquid instruments with an original maturity of three months or less to be cash.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

Inventory, Net

Inventory consists of bookstore merchandise and is stated at the lower of cost or market. Cost is determined utilizing the retail method.

Investments

Effective July 1, 2009, Massachusetts enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Prior to enacting UPMIFA, Massachusetts operated under the Uniform Management of Institutional Funds Act (UMIFA) which focused on prudent spending of net appreciation of the fund and emphasized the historic dollar value concept, an amount below which an organization could not spend from the fund. In the absence of overriding, explicit donor stipulations, UPMIFA prescribes new guidelines for expenditures of donor restricted funds and focuses on the prudent spending of the entire donor restricted fund, including accumulated earnings, in lieu of the historical dollar concept of UMIFA. UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor's intended purpose of the endowment fund, stipulated or otherwise.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies - Continued

Investments - Continued

Under UPMIFA, donor restricted funds will continue to be classified as permanently restricted net assets, however, donor restricted funds not classified as permanently restricted net assets, such as gains and other amounts permitted to be disbursed in accordance with the donors' stipulations or deemed spent earnings on endowment funds that had not been specifically approved for expenditure, must be classified as temporarily restricted net assets until appropriately approved for expenditure by the organization. Unrealized losses that reduce the fair value to an amount below the donated value are charged to unrestricted net assets. Unrealized gains will be classified as unrestricted net assets to the extent fair value again equals donated cost, at which time unrealized gains will be classified in accordance with the College's spending policy.

The Hellenic College, Inc. Board classifies donor restricted funds and earnings thereon in accordance with applicable state laws as interpreted by the Attorney General. Accordingly, if the donor agreement does not prohibit the expenditures of appreciation, then such gains would be classified as unrestricted net assets. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor.

The investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by the endowment funds. The College has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the previous three years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return of 8% on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the organization's objective to maintain the purchasing power of the endowed assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Property, Plant and Equipment, Net

Property, plant, and equipment, net are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives, which range from 3 to 30 years.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies - Continued

Income Taxes

Generally accepted accounting principles, as practiced in the United States of America, require an entity to assess the probability that a tax position has a "more likely than not" sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Interest and penalties, if any, related to assessments by tax authorities will be classified as a component of interest expense and other expenses, respectively, in the statements of activities and changes in nets assets. A tax position may be considered as taken any time a taxpayer chooses amongst alternatives that affect the amount of their tax obligations and include for example: tax exempt status; status of a pass-through entity (S Corporations); decisions made in the process of conforming with tax laws; decisions not to file in certain jurisdictions; allocation of income between jurisdictions; and the characterization of income or expenses. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances the statute of limitations may remain open indefinitely.

The College has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax exempt entity under section 501(c)(3) of the Internal Revenue Code. Since the continuance of this status is based upon continuing qualification, the College has identified this as a tax position. However, it has determined that this tax position meets "more likely than not" sustainability and does not result in an uncertainty requiring recognition.

Note 3 - Accounts and Other Receivables, Net

Accounts and other receivables at June 30, consist of the following:

	<u>2011</u>	<u>2010</u>
Students	\$ 823,179	\$ 928,509
Interest	27,093	29,138
Bookstore	<u>22,578</u>	<u>43,928</u>
	872,850	1,001,575
Less: allowance for doubtful accounts	<u>(716,311)</u>	<u>(636,415)</u>
Accounts receivable, net	\$ <u>156,539</u>	\$ <u>365,160</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 4 - Investments Fair Value Measurements

U.S. Generally Accepted Accounting Principles Codification No. 820, formerly FASB (Statement No. 157) *Fair Value Measurements and Disclosures*, establishes a framework for measuring the fair value of the College's assets and liabilities - including its investments. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value of the College's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Codification No. 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College's Custodian has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodology used at June 30, 2011.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 4 - Investments Fair Value Measurements - Continued

Marketable Securities: Marketable securities include bonds and stocks. These securities are valued at their net asset value (NAV) at fiscal year end per the applicable exchange.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, the custodian believes its valuation methods are appropriate and consistent with other market participants at the reporting date. At June 30, 2011 and 2010, all investments and beneficial interest in third party trust (consists of marketable securities) of the College are classified as Level 1 assets within the fair value hierarchy.

Note 5 - Investments

The investments are recorded at fair value and consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Money market accounts and certificates of deposit	\$ <u>1,626,465</u>	\$ <u>4,182,788</u>
Bonds:		
U.S. Government	1,773,745	2,572,427
Corporate	<u>3,594,973</u>	<u>3,162,729</u>
	<u>5,368,718</u>	<u>5,735,156</u>
Common and preferred stocks	<u>18,880,519</u>	<u>12,705,103</u>
Total investments	\$ <u>25,875,702</u>	\$ <u>22,623,047</u>

As of June 30, 2011 and 2010, certain of the College's endowment funds had an aggregate fair value less than donor stipulated levels and/or state law by \$424,363 and \$1,070,024, respectively. These are commonly referred to as "underwater."

All endowment funds consist of donor-restricted funds. (The College has no board-designated funds.)

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 5 - Investments - Continued

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009, as previously reported	\$ (1,666,686)	\$ 3,263,759	\$ 18,550,963	\$ 20,148,036
Investment return				
Net investment income	-	297,117	-	297,117
Realized gains	124,829	760,788	-	885,617
Net appreciation	471,833	-	-	471,833
Contributions	-	-	1,246,538	1,246,538
Amounts appropriated for expenditures	<u>-</u>	<u>(440,074)</u>	<u>(592,400)</u>	<u>(1,032,474)</u>
Endowment net assets, June 30, 2010	(1,070,024)	3,881,590	19,205,101	22,016,667
Investment return				
Net investment income	-	443,243	-	443,243
Realized gains	-	686,027	-	686,027
Net appreciation	645,661	3,385,724	-	4,031,385
Contributions	-	-	231,327	231,327
Amounts appropriated for expenditures	<u>-</u>	<u>(786,214)</u>	<u>(373,616)</u>	<u>(1,159,830)</u>
Endowment net assets, June 30, 2011	\$ <u>(424,363)</u>	\$ <u>7,610,370</u>	\$ <u>19,062,812</u>	\$ <u>26,248,819</u>

The value of the institution's endowment is different than the value of the institution's investments. Differences include endowment borrowings of \$1,057,087 for both years, which are included as part of the endowment, and temporarily restricted cash, which is invested in securities with a maturity date of three months or greater but, not classified as part of the endowment. As of June 30, 2011 and 2010, these securities total \$683,970 and \$1,663,467, respectively.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 6 - **Affiliations**

The Archdiocese provided annual support of \$1.275 million and \$1.200 million to the College for the twelve months ended June 30, 2011 and 2010, respectively. As of June 30, 2010, the Archdiocese owed the College \$300,000. No amount was owed as of June 30, 2011.

During 2001, the Archbishop Iakovos Leadership 100 Fund ("Leadership 100") made an initial commitment of \$10,000,000 over ten years to assist the College in its recruitment of students. In 2008, Leadership 100 provided an additional pledge beyond their initial commitment, in support of the educational costs of seminarians in the Archdiocese totaling \$5,000,000 beginning in 2009 for a five year period concluding in 2013. Leadership 100 funds are used to provide scholarships based upon financial need, character, and academic excellence. The College recognized approximately \$1,000,000 of these monies for scholarships during each of the fiscal years ended 2011 and 2010. Cumulatively, the College has received or been pledged \$15,000,000 of Leadership 100 scholarship aid since inception of the program. As of June 30, 2011, \$2,500,000 of the funds pledged by Leadership 100 for scholarship awards remains available.

In 2007, Leadership 100 made a commitment of approximately \$1,000,000 to be paid out over the next four years to support the College's efforts to replace and/or enhance its information technology infrastructure. As of June 30, 2011, the College had received all of these monies. As these funds are expended, they are expected to be capitalized as property, plant, and equipment.

Note 7 - **Interfund Receivable (Payable)**

With the consent of the donors and the Board of Trustees, the College was permitted to draw against its endowment, up to a maximum of \$1,057,087 in August 2006, for the purpose of reducing an outstanding balance on a line of credit. The borrowings are interest free and due as the College's cash flow permits.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 8 - **Property, Plant and Equipment**

Property, plant and equipment is summarized as follows at June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 5,715,955	\$ 5,715,955
Buildings and improvements	18,988,130	18,901,508
Furniture, fixtures and equipment	<u>3,489,601</u>	<u>3,308,626</u>
	28,193,686	27,926,089
Less: accumulated depreciation	<u>(15,414,908)</u>	<u>(14,539,823)</u>
Property, Plant and Equipment, net	\$ <u>12,778,778</u>	\$ <u>13,386,266</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$875,085 and \$813,125, respectively.

Note 9 - **Lease Commitment**

The College has entered into operating leases for copy machines expiring March, 2016. Rental expense for the fiscal years ended June 30, 2011 and 2010 were \$28,575 and \$28,608 respectively. Lease agreement payments subsequent to June 30, 2011 are as follows:

Years Ending <u>June 30,</u>	
2012	\$ 28,961
2013	28,961
2014	28,961
2015	20,961
2016	<u>14,134</u>
Total	\$ <u>121,978</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 10 - **Other Assets**

In December 2008, the College was gifted certain unrestricted property comprised of land and residential buildings initially valued at approximately \$1,135,000. The land, in excess of one hundred acres, borders a lake and is located in a secluded section of Ohio. In June 2011 the College entered into a purchase and sale agreement for the property from which, on September 7, 2011, it received approximately \$569,000 in net proceeds. Accordingly, as of June 30, 2011, the College has recognized an impairment charge of approximately \$566,000, which was included in the change in unrestricted net assets for the year.

Note 11 - **Beneficial Interest in Third Party Trust**

The irrevocable trust agreement contains provisions for five sub-trusts that require distributions to the College and other parties through 2049, and a final distribution of remaining assets in 2050. An unrelated third party controls investment decisions. Distributions to third parties are based either on fixed percentages of the market value of the trust assets through death of the beneficiary or the costs of educating certain of the donors' heirs depending on the provisions of the sub-trust. The College values their interest of the trust based on the current market value of the trust's assets at the end of each fiscal year, reduced by the estimated present value of the expected future disbursements to other parties based upon estimates of the distributions required by the trust document and an estimated rate of return. Total disbursements to other parties are based upon life expectancy, projected costs of education and estimated rates of return between 5% and 7% to fund disbursements and a discount factor of 6.5%. Actual results could differ from these estimates.

Note 12 - **Line of Credit**

The College maintains a line of credit with a financial institution that contains various financial covenants, including limiting the amounts due from the Archdiocese. The College's borrowing capacity under the line of credit is \$500,000 as of June 30, 2011 and 2010. The line of credit expires February 2, 2012 and bears interest on a variable basis at LIBOR plus 3.50% and is renewable, at the lenders' sole discretion, at that date. LIBOR at June 30, 2011 and 2010 was 3.69% and 3.85%, respectively. The line is collateralized by all of the assets of the College.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 13 - Deferred Revenues

In November 2002, the College received an initial grant of approximately \$2,000,000, from the Lilly Foundation ("Lilly Vocational Grant"). The initial award agreement stipulated that the College utilize the grant proceeds over five years to develop and fund vocational awareness programs for students attending the College. In addition, in December 2006, the College received \$500,000 as part of a matching program, the purpose of which was to further sustain the various programs under the Lilly Vocation Office. This award also extended the use of any unused grant monies awarded under the initial grant to coincide with funds awarded under the sustainability grant. The combined funds, in conjunction with monies raised under the matching grant, were planned to be used by the end of the calendar year 2011 at which time the Office is expected to be self-sustaining. Upon receipt of the grants, the College deferred the income and recognizes it as expenses are incurred. Amounts recognized as revenue and recorded as other income, as of June 30, 2011 and 2010 were \$295,026 and \$328,027, respectively.

Other deferred revenue primarily represents payments received in advance for the College's annual golf tournament.

Deferred revenues at June 30, consist of the following:

	<u>2011</u>	<u>2010</u>
Lilly Vocational Grant	\$ 169,406	\$ 358,140
Other	<u>62,797</u>	<u>60,071</u>
Total Deferred Revenues	\$ <u>232,203</u>	\$ <u>418,211</u>

Note 14 - Long-Term Debt

The College's long-term debt is comprised of \$6,534,656 and \$6,828,034 in bonds payable as of June 30, 2011 and of June 30, 2010, respectively. In November 2005, the College borrowed \$7,895,000 through the Massachusetts Health and Educational Facilities Authority (MHEFA) to support the re-financing of all long-term note obligations totaling \$2,356,135 and to finance the acquisition of 6.89 acres of land abutting the College's property. The debt is supported by an irrevocable letter of credit from a bank, which is due to expire on February 10, 2012, and as collateral to the bank, the letter of credit is secured by the assets of the College.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 14 - Long-Term Debt - Continued

In connection with the borrowings, MHEFA issued Revenue Bonds, Pool Loan Program Issue, Series M-3 (the "Bonds"), which mature in 2025. The Bonds bear interest at a variable rate based on rates established under the Bond Market Association.

At June 30, 2011 and 2010 the Bond Market Association rate was 0.18% and 0.25%, respectively. The effective rate at June 30, 2011 and 2010, including all letter of credit and annual fees, approximated 2.5% and 2.6%, respectively. Interest expense associated with the bonds during the years ended June 30, 2011 and 2010 was \$219,478 and \$209,791, respectively.

In connection with an August 14, 2009 re-financing, MHEFA issued revenue bonds under the Pool Loan Program issue, Series O (2009), which in effect, as a result of a confirmation wrap supplied by a third party around an existing irrevocable letter of credit, provided bond holders a greater level of security. No changes were made to the maturity or principal payment obligations of the bonds.

Temporarily restricted cash and equivalents includes a debt service reserve fund of \$65,347 and \$65,309 at June 30, 2011 and 2010, respectively, in accordance with the MHEFA loan agreement. The balance of the debt service reserve fund is calculated based on approximately 1% of the outstanding bonds at June 30, 2011 and 2010, respectively.

Mandatory annual principal and estimated interest payments using the effective rate on the Bonds at June 30, 2011 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 307,841	\$ 333,267
2013	326,312	317,568
2014	345,891	300,926
2015	366,644	283,285
2016	388,643	264,586
Thereafter	<u>4,799,325</u>	<u>1,330,514</u>
Total	\$ <u>6,534,656</u>	\$ <u>2,830,146</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 15 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Scholarships (accumulated unexpended net income)	\$ 4,528,937	\$ 3,049,947
Academic chairs (accumulated unexpended net income)	3,262,349	2,229,111
Other academic purposes (accumulated unexpended net income)	703,706	235,836
Beneficial interest in third party trust	<u>2,256,919</u>	<u>1,905,694</u>
Total temporarily restricted net assets	\$ <u>10,751,911</u>	\$ <u>7,420,588</u>

Note 16 - Net Assets Released from Donor Restriction

Net assets released from donor restrictions satisfying the purposes specified by the donors for the years ended:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 1,356,873	\$ 299,813
Academic chairs	698,582	508,956
Expended plant	112,227	382,023
Other academic purposes	<u>459,332</u>	<u>391,835</u>
Total temporarily restricted net assets released	2,627,014	1,582,627
Total permanently restricted net assets released	<u>373,616</u>	<u>592,400</u>
Total net assets released	\$ <u>3,000,630</u>	\$ <u>2,175,027</u>

Permanently restricted net assets released from donor restriction include an accounting reclassification of \$373,616 in 2011; A donor approved reclassification of \$192,400 and a \$400,000 bequest reclassified based on management's interpretation, to temporarily restricted in 2010.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 17 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following purposes as of June 30:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 10,694,719	\$ 10,507,547
Academic chairs	6,313,029	6,308,029
Other academic purposes	<u>2,055,064</u>	<u>2,389,525</u>
Total permanently restricted net assets	\$ <u>19,062,812</u>	\$ <u>19,205,101</u>

Note 18 - Retirement Plans

The College participates in the multi-employer contributory defined benefit retirement plan of the Archdiocese, which includes six full time employees of the College as of June 30, 2011. Pension expense was \$34,200 and \$34,973 for the years ended June 30, 2011 and 2010, respectively. The College has no pension liability associated with the Archdiocese contributory defined benefit retirement plan.

The College also has a 403(b) plan to which employees can make voluntary contributions. The College matches certain contributions to the Plan. Employees become eligible to participate in the Plan after one year of service and become 100% vested in their accounts. Total contributions made by the College were \$177,363 and \$170,175 for the years ended June 30, 2011 and 2010, respectively.

Note 19 - Risks and Uncertainties

Cash

Due to the timing of when cash is received and payments are disbursed, from time to time the College's cash balances at financial banking institutions may exceed the Federally insured limit. Management monitors the financial condition of the banking institution, along with its balances in cash to keep this potential risk at a minimum.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 19 - **Risks and Uncertainties - Continued**

Claims

From time to time, the College may be involved in various claims and lawsuits, both for and against the College, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlements of such claims and lawsuits would not be material to the College's financial position. As of June 30, 2011 management is unaware of any outstanding claims or lawsuits for and against the College.

Note 20 - **Subsequent Events**

Management has evaluated subsequent events through October 13, 2011, the date of which the financial statements were available to be issued.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Hellenic College, Inc.
Brookline, Massachusetts

We have audited the financial statements of Hellenic College, Inc. (the "College") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated October 13, 2011.

This report is intended solely for the information and use of the Board of Trustees and management of the College, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor & Drew, P.C.

Certified Public Accountants

October 13, 2011