



**FINANCIAL STATEMENTS IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133
JUNE 30, 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

HELLENIC COLLEGE, INC.

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JUNE 30, 2012

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**UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
NOT-FOR-PROFIT ORGANIZATION**

Independent Auditor's Report

To the Board of Trustees of
Hellenic College, Inc.:

We have audited the accompanying statement of financial position of Hellenic College, Inc. (a Massachusetts corporation, not for profit) (the College) as of June 30, 2012, and the related statements of activities, changes in net assets and cash flows for the year 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 audit.

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. 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 audit provides 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, 2012, and the changes in its net assets and its cash flows for the year 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 our report dated September 26, 2012, 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 the 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 audit.

Board of Trustees of
Hellenic College, Inc.
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Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards – not-for-profit organization is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards – not-for-profit organization is fairly stated in all material respects in relation to the financial statements as a whole.

Alexander, Aronson, Fenning & Co., P.C.

Wellesley, Massachusetts
September 26, 2012

HELLENIC COLLEGE, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 358,865	\$ 314,111	\$ -	\$ 672,976
Restricted cash	630,313	-	-	630,313
Accounts and other receivable, net of allowance for doubtful accounts of approximately \$207,000	214,903	18,656	-	233,559
Inventory, net	107,795	-	-	107,795
Prepaid expenses and other	122,337	-	-	122,337
Total current assets	1,434,213	332,767	-	1,766,980
INVESTMENTS	-	4,939,703	17,717,746	22,657,449
BENEFICIAL INTEREST IN THIRD PARTY TRUST	-	1,567,872	-	1,567,872
PROPERTY AND EQUIPMENT, net	12,325,381	-	-	12,325,381
DUE (TO) FROM	(1,470,202)	641,618	828,584	-
Total assets	<u>\$ 12,289,392</u>	<u>\$ 7,481,960</u>	<u>\$ 18,546,330</u>	<u>\$ 38,317,682</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Line of credit	\$ 430,000	\$ -	\$ -	\$ 430,000
Current portion of long-term debt	326,312	-	-	326,312
Accounts payable	410,174	-	-	410,174
Accrued expenses	466,942	-	-	466,942
Deferred revenue	282,794	-	-	282,794
Total current liabilities	1,916,222	-	-	1,916,222
LONG-TERM DEBT, net of current portion	5,897,423	-	-	5,897,423
Total liabilities	7,813,645	-	-	7,813,645
NET ASSETS:				
Unrestricted:				
Operating	(227,062)	-	-	(227,062)
Property and equipment	4,807,924	-	-	4,807,924
Depreciation on permanently restricted endowment	(105,115)	-	-	(105,115)
Total unrestricted	4,475,747	-	-	4,475,747
Temporarily restricted	-	7,481,960	-	7,481,960
Permanently restricted	-	-	18,546,330	18,546,330
Total net assets	4,475,747	7,481,960	18,546,330	30,504,037
Total liabilities and net assets	<u>\$ 12,289,392</u>	<u>\$ 7,481,960</u>	<u>\$ 18,546,330</u>	<u>\$ 38,317,682</u>

The accompanying notes are an integral part of these statements.

HELLENIC COLLEGE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUE:				
Tuition and fees	\$ 4,252,885	\$ -	\$ -	\$ 4,252,885
Room and board	2,084,950	-	-	2,084,950
	<u>6,337,835</u>	<u>-</u>	<u>-</u>	<u>6,337,835</u>
Less - scholarships and grants	(2,887,686)	-	-	(2,887,686)
	<u>3,450,149</u>	<u>-</u>	<u>-</u>	<u>3,450,149</u>
Tuition, fees, room and board, net	3,450,149	-	-	3,450,149
Grants and contributions	1,055,089	1,079,798	-	2,134,887
Appropriation of endowment assets for expenditure	-	1,594,584	-	1,594,584
Archdiocese grant	1,425,000	-	-	1,425,000
Bookstore revenue	340,496	-	-	340,496
Other income	235,991	-	-	235,991
Net assets released from purpose restrictions	3,167,373	(3,167,373)	-	-
	<u>9,674,098</u>	<u>(492,991)</u>	<u>-</u>	<u>9,181,107</u>
Total operating revenue	9,674,098	(492,991)	-	9,181,107
OPERATING EXPENSES:				
Educational:				
Instruction and library services	3,975,463	-	-	3,975,463
Student housing and food services	1,488,658	-	-	1,488,658
Student services	872,559	-	-	872,559
Bookstore	441,809	-	-	441,809
General and administrative:				
Administrative and institutional	2,208,553	-	-	2,208,553
Facility	835,057	-	-	835,057
Development and fundraising	488,044	-	-	488,044
Interest	202,156	-	-	202,156
	<u>10,512,299</u>	<u>-</u>	<u>-</u>	<u>10,512,299</u>
Total operating expenses	10,512,299	-	-	10,512,299
Changes in net assets from operations	(838,201)	(492,991)	-	(1,331,192)
NON-OPERATING REVENUE:				
Capital contributions	-	304,719	-	304,719
Permanently restricted contributions	-	-	230,932	230,932
Change in value of beneficial interest in trust	-	12,396	-	12,396
Investment returns, net	(73,258)	(946,115)	-	(1,019,373)
Appropriation of endowment assets for expenditure	-	(1,594,584)	-	(1,594,584)
Net assets released for capital expenditures	310,900	(310,900)	-	-
	<u>237,642</u>	<u>(2,534,484)</u>	<u>230,932</u>	<u>(2,065,910)</u>
Total non-operating revenue	237,642	(2,534,484)	230,932	(2,065,910)
Changes in net assets	<u>\$ (600,559)</u>	<u>\$ (3,027,475)</u>	<u>\$ 230,932</u>	<u>\$ (3,397,102)</u>

The accompanying notes are an integral part of these statements.

HELLENIC COLLEGE, INC.

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2011, as restated	\$ 4,683,800	\$ 10,154,527	\$ 19,062,812	\$ 33,901,139
Changes in net assets	(600,559)	(3,027,475)	230,932	(3,397,102)
Transfers	<u>392,506</u>	<u>354,908</u>	<u>(747,414)</u>	<u>-</u>
NET ASSETS, June 30, 2012	<u>\$ 4,475,747</u>	<u>\$ 7,481,960</u>	<u>\$ 18,546,330</u>	<u>\$ 30,504,037</u>

The accompanying notes are an integral part of these statements.

HELLENIC COLLEGE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (3,397,102)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	872,998
Bad debts	7,116
Realized and unrealized investment losses, net	1,640,649
Change in beneficial interest in third party trust	(12,396)
Capital contributions	(304,719)
Endowment contributions	(230,932)
Changes in operating assets and liabilities:	
Accounts and other receivable	(87,538)
Inventory	21,972
Prepaid expenses and other	28,343
Accounts payable	(69,697)
Accrued expenses	212,915
Deferred revenue	29,326
Net cash used in operating activities	<u>(1,289,065)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(4,667,685)
Proceeds from sale of investments	6,245,289
Purchase of property and equipment	(419,600)
Proceeds from sale of property	568,621
Net decrease in restricted cash	(564,966)
Net cash provided by investing activities	<u>1,161,659</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Permanently restricted contributions	230,932
Capital contributions	304,719
Principal payments on long-term debt	(310,921)
Net proceeds from line of credit	200,000
Net cash provided by financing activities	<u>424,730</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 297,324

CASH AND CASH EQUIVALENTS, beginning of year 375,652

CASH AND CASH EQUIVALENTS, end of year \$ 672,976

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest \$ 202,156

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:

Unrealized losses on investments \$ (1,746,986)

The accompanying notes are an integral part of these statements.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

OPERATIONS AND NONPROFIT STATUS

Hellenic College, Inc. (the College) is an independent institution of higher learning located in Brookline, Massachusetts. The College is 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 exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The College is also exempt from state income taxes. Donors may deduct contributions made to the College within Internal Revenue Code requirements.

SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Revenue Recognition

Tuition and fees and room and board are recorded as services are provided ratably over the related semester. Fees and deposits received in advance of services provided are recorded as deferred revenue.

Grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted net assets and are released from restriction as costs are incurred or time restrictions or program restrictions have lapsed.

Bookstore revenue is recognized at the point of sale. Other income is recorded as earned.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents consists of checking, savings and all other highly liquid instruments with an original maturity of three months or less.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Other Receivable and Allowance for Doubtful Accounts

Accounts and other receivable are recorded at the invoiced amounts and do not bear interest. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in accounts and other receivable. The allowance is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Inventory, net

Inventory consists of books, clothing and educational materials and is valued at the lower of cost (first in, first out) or market. Obsolete or damaged inventory is assessed by management annually. The College has reserved approximately \$72,000 for obsolete or damaged inventory as of June 30, 2012, which was a reduction of \$13,000 from June 30, 2011.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the College. The College has grouped its unrestricted net assets into the following categories:

Operating net assets represent net assets which are available for operations.

Property and equipment net assets represent amounts expended and resources available for property and equipment, net of related debt.

Depreciation on permanently restricted endowment net assets represents the cumulative depreciation of those funds invested as permanently restricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for unrestricted use in future periods (time restricted). All temporarily restricted net assets at June 30, 2012, are purpose restricted. Temporarily restricted net assets are comprised of the following:

Academic chairs	\$2,730,489
Scholarships	2,087,539
Other academic purposes	1,096,060
Beneficial interest in third party trust	<u>1,567,872</u>
Total temporarily restricted net assets	<u>\$7,481,960</u>

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets represent amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent.

Return Objectives and Risk Parameters

The investment portfolio is managed to provide for the long-term support of the College. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk.

Advertising Costs

The College expenses advertising costs as incurred. Total advertising costs for the year ended June 30, 2012, was \$33,285.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Fair Value Measurements

The College follows the accounting and disclosure standards pertaining to *Fair Value Measurements* for qualifying assets and liabilities. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable and which require significant judgment or estimation.

A qualifying asset or liability's level within the framework is based on the lowest level of any input that is significant to the fair value measurement.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The College records investments in marketable securities at fair value using Level 1 inputs. Investments consist primarily of a donor endowment. Accordingly, investments have been classified as non-current assets in the accompanying statement of financial position regardless of maturity or liquidity.

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on market value changes during the period (see Note 3).

Investment Spending Policy

Massachusetts law allows appropriation of a donor restricted endowment based on the prudent practices of the Board of Trustees. The Board of Trustees has voted to allow for the use of a portion of total investment return for use in accordance with the donor's restriction, if any. Transfers to the operating net assets, in accordance with this policy, are reflected in the statement of activities and changes in net assets as investment return designated for current operations.

The College has a policy of annually appropriating for distribution, 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.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost (see Note 2). Donated property and equipment are recorded at fair value at the time of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and improvements	3 - 30 years
Furniture, fixtures and equipment	3 - 15 years

Subsequent Events

Subsequent events have been evaluated through September 26, 2012, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(2) **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

Land	\$ 5,715,955
Building and improvements	19,227,501
Furniture, fixtures and equipment	<u>3,669,830</u>
	28,613,286
Less - accumulated depreciation	<u>16,287,905</u>
	<u>\$12,325,381</u>

Depreciation expense for the year ended June 30, 2012, was \$872,998.

(3) **INVESTMENTS**

The following is a summary of the Level 1 investments at fair value:

Money markets and cash	\$ 1,758,121
Equities:	
Domestic common stock:	
Other industries	10,154,196
Information technology	2,703,877
Health care	2,424,414
Foreign common stock	862,595
International equity mutual funds	321,498
Fixed income:	
Domestic corporate bonds	3,103,379
U.S. Government	<u>1,329,369</u>
Total investments	<u>\$22,657,449</u>

Investments are not insured and are subject to ongoing market fluctuations.

The following schedule summarizes the investment returns in the accompanying statement of activities and changes in net assets for the year ended June 30, 2012:

Unrealized losses	\$(1,746,986)
Interest and dividends, net	621,276
Net realized gain	<u>106,337</u>
Net investment returns	<u>\$(1,019,373)</u>

(4) **BENEFICIAL INTEREST IN THIRD PARTY TRUST**

The College has a beneficial interest in a third party trust. The principal, as well as annual gains or losses, are restricted in accordance with the donor's wishes. The trust agreement calls for provisions of certain sub-trusts in which distributions of the income and principal are to be made to the College and other unrelated beneficiaries through the termination of the entire trust in 2050. Upon the termination of the trust, the remaining assets will be distributed in accordance with the trust agreement to the College and other unrelated beneficiaries.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(4) **BENEFICIAL INTEREST IN THIRD PARTY TRUST** (Continued)

Distributions of the trust's income and principal to the College and other unrelated beneficiaries are paid in accordance with the agreement, by an unrelated third party trustee. The College records its distributions as unrestricted contributions in the accompanying statement of activities and change in net assets. The College received \$33,111 of distributions for the year ended June 30, 2012.

In accordance with U.S. GAAP, the College values its remainder interest in the trust using Level 3 inputs (see Note 1), which includes the fair value of the trust's assets, net of the present value of the estimate of distributions to unrelated beneficiaries through the terms of the sub-trusts. The College's interest in this trust was \$1,567,872 after recording the change in value of its interest of \$12,396 for the year ended June 30, 2012.

(5) **LONG-TERM DEBT**

The College had a note payable agreement with the Massachusetts Development Finance Agency (MDFA) with an outstanding balance of \$6,223,735 at June 30, 2012, which was refinanced as a part of a new debt issuance entered into by the College subsequent to year-end (see Note 14). To ensure performance on the note, the College had also entered into an agreement with a bank for an irrevocable, direct pay letter of credit in an amount equal to the outstanding principal balance at June 30, 2012, plus 45 days expected interest at an assumed interest rate of 12% per year. The note bore interest at a variable rate based on the weighted yield of the tax-exempt bonds issued by MDFA. The interest rate on the note was 0.18% at June 30, 2012. Letter of credit fees were paid monthly at an annualized rate of 2.363% of the outstanding balance of the note as of June 30, 2012. The effective rate of interest and letter of credit fees was 2.543% at June 30, 2012. Interest and fee payments on the note were made on a monthly basis. Principal payments on the note were due in accordance with a fixed amortization schedule. The note originally matured in June, 2025.

Future principal payments over the next five years are as follows:

2013	\$326,312
2014	\$345,891
2015	\$366,644
2016	\$388,643
2017	\$411,961

As a part of the note payable to MDFA, the College was required to maintain a debt service reserve fund which consisted of approximately 1% of the outstanding debt balance. These funds were held by the Trustee and were to be used for the repayment of the obligation. The balance in the debt service reserve fund was \$62,267 at June 30, 2012, and is included in restricted cash on the accompanying statement of financial position.

As part of its agreement with the bank, the College was required to deposit \$568,000 into a pledge account, which is included in restricted cash on the accompanying statement of financial position. From time-to-time, the bank may withdraw funds from this restricted cash to pay down the outstanding letter of credit and line of credit balances (see Note 6) owed to the bank. Subsequent to year-end these deposits were released as part of the refinancing (see Note 14).

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(6) LINE OF CREDIT

The College had available a \$500,000 revolving line of credit with a bank that expired on September 30, 2012. Interest on outstanding borrowings was payable monthly at the thirty-day *London Interbank Offered Rate* (LIBOR) (0.25% at June 30, 2012), plus 3.50%. Advances under this agreement were due on demand. The line of credit was secured by all assets of the College. As of June 30, 2012, \$430,000 remained outstanding on the line of credit. The College also must maintain a pledge account as security (see Note 5). Subsequent to year-end the College entered into a new \$1,200,000 line of credit agreement (see Note 14).

(7) LEASE COMMITMENTS

The College rents equipment under various operating lease agreements. These lease agreements expire at various dates through June 15, 2016, with monthly payments ranging from \$150 to \$1,413. Equipment rental expense for the year ended June 30, 2012, was \$24,600.

Future minimum lease payments under these lease agreements are as follows:

2013	\$30,759
2014	\$30,759
2015	\$22,759
2016	\$14,518

(8) ENDOWMENT

A reconciliation of endowment activity for fiscal year 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2011	\$(424,363)	\$ 7,610,370	\$19,062,812	\$26,248,819
Contributions	-	-	230,932	230,932
Donor gift redesignations	392,506	(392,506)	(747,414)	(747,414)
Investment returns, net	(73,258)	(946,115)	-	(1,019,373)
Appropriation of endowment assets for expenditure	-	(1,594,584)	-	(1,594,584)
Net change in endowment	<u>319,248</u>	<u>(2,933,205)</u>	<u>(516,482)</u>	<u>(3,130,439)</u>
Endowment net assets, June 30, 2012	<u>\$(105,115)</u>	<u>\$ 4,677,165</u>	<u>\$18,546,330</u>	<u>\$23,118,380</u>

The fair value of permanently restricted net assets may periodically fall below the level that donors require the College to retain as a fund of perpetual duration. In accordance with U.S. GAAP, losses on permanently restricted net assets reduce temporarily restricted net assets to the extent of net accumulated appreciation on these funds. Any remaining losses reduce unrestricted net assets. Future gains, if any, that restore the permanently restricted net assets to the original level will increase unrestricted net assets until the accumulated depreciation is eliminated. Additional gains are reported as temporarily restricted.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(8) **ENDOWMENT** (Continued)

Deficiencies of this nature that are reported as accumulated depreciation on permanently restricted endowment in unrestricted net assets were \$105,115 as of June 30, 2012. The amount is also included in due (to) from in the accompanying statement of financial position at June 30, 2012 (see Note 9).

During fiscal year 2012, the College determined that certain contributions (totaling \$747,414) previously reported as permanently restricted were in fact temporarily restricted. These amounts are shown as transfers on the accompanying statement of activities and changes in net assets.

(9) **DUE (TO) FROM**

Certain permanently restricted contributions allow the College to use the funds in the best interest of the College with approval of the Board of Trustees. During fiscal year 2012, the College borrowed \$308,000 from temporarily restricted funds. As of June 30, 2012, the College has borrowed a total of \$1,365,087 from permanently and temporarily restricted funds.

As of June 30, 2012, the College had depreciation on its permanently restricted endowment of \$105,115, which is included in due (to) from on the accompanying statement of financial position (see Note 8).

(10) **RETIREMENT PLANS**

The College participates in the multi-employer defined benefit retirement plan of the Archdiocese, which includes six full-time employees of the College as of June 30, 2012. Pension expense was \$32,100 for the year ended June 30, 2012. The College has no pension liability associated with the Archdiocese's contributory defined benefit retirement plan.

The College also maintains an employer contribution retirement plan under Internal Revenue Code Section 403(b) covering all employees. Only those employees who are at least twenty-one years of age and have completed one year of service are eligible to receive the employer contribution. Certain eligible employees receive an 8.5% matching contribution provided the participant contributes at least 2.5% of their compensation. Employer matching contributions vest immediately. The College contributed \$227,734 to the plan for the year ended June 30, 2012.

(11) **CONCENTRATIONS**

- a. The College maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances may exceed the insured amounts. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant credit risk on its operating cash balances.
- b. Fifteen percent of total operating revenue for the year ended June 30, 2012, is from the Archdiocese. The Archdiocese has historically contributed a significant portion of the College's operating revenues and is planning to continue to do so should the Archdiocese's endowment remain adequate to continue funding the College.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(12) CONTINGENCIES

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, 2012, management is not aware of any outstanding claims or lawsuits for and against the College.

(13) PRIOR PERIOD ADJUSTMENTS

During fiscal year 2012, it came to management's attention that the carrying value of the College's beneficial interest in a third party trust was incorrectly valued. Also, the College's deferred revenue and debt service reserve accounts were not properly recorded. The following prior period adjustments have been recorded to correctly reflect the College's interest in the third party trust and properly state deferred revenues and the debt service reserve as of June 30, 2011, as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net assets, June 30, 2011, as previously stated	\$4,618,453	\$10,751,911
To properly record deferred Lilly Foundation grant revenue as temporarily restricted net assets	-	169,406
To properly record the College's debt service reserve account as unrestricted	65,347	(65,347)
To properly record the College's estimated interest in the carrying value of its interest in the third party trust	-	(701,443)
Net assets, June 30, 2011, as restated	<u>\$4,683,800</u>	<u>\$10,154,527</u>

(14) SUBSEQUENT EVENTS

On September 26, 2012 the College entered into a \$7,000,000 bond payable agreement (\$6,285,000 of Series A and \$715,000 Series B) with MDFA. The proceeds will be used to pay off the College's existing long term debt (see Note 5) and to reimburse amounts previously borrowed from the Endowment (see Notes 8 and 9). The Series A bonds will bear interest at the greater of 3% or 65% of the Federal Home Loan Bank of Boston Classic Advance (FHLB) Rate plus 2.75% (3.39% at September 26, 2012). The Series B bonds will bear interest at the greater of 4% or the FHLB Rate plus 2.75% (5.22% at September 26, 2012). The interest rate on these bonds is subject to adjustment based upon the Five Year FHLB Rate. The interest rate is fixed for the first ten years with the next adjustment scheduled for September, 2022. These bonds are secured by certain land, buildings and other assets of the School and are cross collateralized with the \$1,200,000 line of credit agreement (see below). Monthly payments of principal and interest are due until September, 2032.

HELLENIC COLLEGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

(14) SUBSEQUENT EVENTS (Continued)

Also, On September 26, 2012 the College entered into a revolving line of credit agreement with a bank that allows for borrowings of up to \$1,200,000 and bears interest at the bank's prime rate (3.25% at September 26, 2012). This agreement expires on December 31, 2012 at which time the College is expected to renew the agreement. The agreement is secured by certain land, buildings and other assets of the School and is cross collateralized with the Series A and Series B bonds (see above).

HELLENIC COLLEGE, INC.

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
NOT-FOR-PROFIT ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2012**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY OR PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education:</u>			
Direct Federal Student Financial Aid Cluster:			
Federal Direct Student Loans (see Note 2)	84.268	N/A	\$1,095,713
Federal Pell Grant Program	84.063	N/A	170,115
Federal Work-Study Program	84.033	N/A	25,000
Federal Supplemental Educational Opportunity Grants	84.007	N/A	<u>10,981</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$1,301,809</u>

NOTE 1. BASIS OF PRESENTATION

The accompanying Supplementary Schedule of Expenditures of Federal Awards – Not-For-Profit Organization includes the Federal assistance activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2. FEDERAL STUDENT LOAN PROGRAMS

The College's students and their parents were awarded \$1,095,713 of Federally guaranteed loans under the Federal Direct Student Loans program for the year ended June 30, 2012. The College is responsible only for the performance of certain administrative duties with respect to this program. Funds for this program are not included in the College's financial statements.

Where Every Client Is A Valued Client

**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.:

We have audited the financial statements of Hellenic College, Inc. (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. 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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College'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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 September 26, 2012.

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

Alexander, Aronson, Penning & Co., P.C.

Wellesley, Massachusetts
September 26, 2012

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Trustees of
Hellenic College, Inc.:

Compliance

We have audited Hellenic College, Inc.'s (the College's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major Federal program for the year ended June 30, 2012. The College's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on its major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
September 26, 2012

HELLENIC COLLEGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements of the auditee.

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported
- Noncompliance material to financial
statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

An unqualified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of OMB Circular
A-133? _____ Yes X No

Identification of major programs:

<u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>
Direct Federal Student Financial Aid Cluster	84.032/84.063 84.007/84.033

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000

- Auditee qualified as low-risk auditee? X Yes _____ No

HELLENIC COLLEGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

(Continued)

II. FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None