



**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

HELLENIC COLLEGE, INC.

Contents
June 30, 2019 and 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hellenic College, Inc. (a Massachusetts nonprofit corporation) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2019, 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 audits 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 entity'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 entity'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 Hellenic College, Inc. as of June 30, 2019 and 2018, 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.

Emphasis of Matters

As disclosed in Note 2 to the financial statements, in fiscal year 2019, Hellenic College, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

AAFCPA, Inc.

Boston, Massachusetts
March 16, 2020

HELLENIC COLLEGE, INC.Statements of Financial Position
June 30, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 2,628,291	\$ 4,350,539
Accounts and other receivables, net of allowance for doubtful accounts of approximately \$85,000 and \$77,000 at June 30, 2019 and 2018, respectively	417,026	188,404
Current portion of pledges receivable	196,739	480,052
Inventory, net	67,337	29,670
Prepaid expenses	125,206	130,516
Total current assets	3,434,599	5,179,181
Investments	21,224,150	21,296,194
Beneficial Interest in Third Party Trust	2,819,586	2,484,966
Pledges Receivable, net	1,404,026	1,961,466
Property and Equipment, net	10,491,610	10,140,840
Total assets	\$ 39,373,971	\$ 41,062,647
Liabilities and Net Assets		
Current Liabilities:		
Current portion of lines of credit	\$ 1,200,000	\$ 1,200,000
Current portion of long-term debt	257,329	248,957
Accounts payable	886,135	1,161,360
Accrued expenses	334,783	486,414
Deferred revenue	302,828	396,578
Total current liabilities	2,981,075	3,493,309
Lines of Credit, net of current portion	1,000,000	1,000,000
Long-Term Debt, net of current portion and debt issuance costs	5,659,870	5,908,328
Total liabilities	9,640,945	10,401,637
Net Assets:		
Without donor restrictions:		
Operating	(10,568,201)	(11,976,842)
Property and equipment	3,209,324	2,618,468
Board designated	445,949	581,604
Total without donor restrictions	(6,912,928)	(8,776,770)
With donor restrictions	36,645,954	39,437,780
Total net assets	29,733,026	30,661,010
Total liabilities and net assets	\$ 39,373,971	\$ 41,062,647

HELLENIC COLLEGE, INC.

Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Tuition and fees	\$ 3,511,218	\$ -	\$ 3,511,218	\$ 3,999,666	\$ -	\$ 3,999,666
Room and board	1,889,643	-	1,889,643	2,125,606	-	2,125,606
	5,400,861	-	5,400,861	6,125,272	-	6,125,272
Less - scholarships and grants	(1,637,676)	-	(1,637,676)	(1,750,276)	-	(1,750,276)
	3,763,185	-	3,763,185	4,374,996	-	4,374,996
Tuition, fees, room and board, net						
Grants and contributions	2,355,702	1,224,652	3,580,354	1,730,965	1,845,747	3,576,712
Investment returns, net	-	1,606,873	1,606,873	-	1,952,185	1,952,185
Archdiocese grant	1,450,000	-	1,450,000	1,250,000	-	1,250,000
Change in value of beneficial interest in trust	-	334,620	334,620	-	126,263	126,263
Other income (loss)	299,079	7,876	306,955	302,132	(2,630)	299,502
Bookstore revenue	263,135	-	263,135	185,274	-	185,274
Endowment contributions	-	124,500	124,500	-	240,674	240,674
Interfund interest	(512,662)	512,662	-	-	-	-
Net assets released from restrictions - cumulative appropriation	2,889,157	(2,889,157)	-	-	-	-
Net assets released from restrictions	3,713,852	(3,713,852)	-	1,462,406	(1,462,406)	-
	14,221,448	(2,791,826)	11,429,622	9,305,773	2,699,833	12,005,606
Expenses:						
Program services:						
Instruction and library services	4,056,719	-	4,056,719	4,311,642	-	4,311,642
Centers and institutes	1,245,863	-	1,245,863	1,324,153	-	1,324,153
Program housing and food services	1,268,288	-	1,268,288	1,265,704	-	1,265,704
Student services	1,467,763	-	1,467,763	1,787,846	-	1,787,846
Bookstore and publishing	381,272	-	381,272	421,602	-	421,602
General and administrative	2,755,422	-	2,755,422	2,772,691	-	2,772,691
Institutional advancement	1,182,279	-	1,182,279	984,956	-	984,956
Total expenses	12,357,606	-	12,357,606	12,868,594	-	12,868,594
Changes in net assets	\$ 1,863,842	\$ (2,791,826)	\$ (927,984)	\$ (3,562,821)	\$ 2,699,833	\$ (862,988)

The accompanying notes are an integral part of these statements.

HELLENIC COLLEGE, INC.Statements of Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Net Assets, June 30, 2017	\$ (5,252,250)	\$ 36,776,248	\$ 31,523,998
Reclassification due to adoption of ASU 2016-14	38,301	(38,301)	-
Changes in net assets	<u>(3,562,821)</u>	<u>2,699,833</u>	<u>(862,988)</u>
Net Assets, June 30, 2018, as restated	(8,776,770)	39,437,780	30,661,010
Changes in net assets	<u>1,863,842</u>	<u>(2,791,826)</u>	<u>(927,984)</u>
Net Assets, June 30, 2019	<u><u>\$ (6,912,928)</u></u>	<u><u>\$ 36,645,954</u></u>	<u><u>\$ 29,733,026</u></u>

HELLENIC COLLEGE, INC.Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (927,984)	\$ (862,988)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	502,766	502,129
Interest - amortization	5,514	5,513
Bad debts	272,587	111,000
Increase in inventory reserve	5,834	-
Decrease in pledge receivable discount	(124,628)	-
Realized and unrealized gains on investments, net	(1,167,373)	(1,690,878)
Change in beneficial interest in third party trust	(334,620)	(126,263)
Capital contributions	-	(160,000)
Endowment contributions	(124,500)	(240,674)
Changes in operating assets and liabilities:		
Accounts and other receivables	(301,209)	(1,540)
Pledges receivable	163,581	(218,134)
Inventory	(43,501)	37,957
Prepaid expenses	5,310	33,634
Accounts payable	(275,225)	(25,495)
Accrued expenses	(151,631)	43,225
Deferred revenue	(93,750)	114,979
Net cash used in operating activities	<u>(2,588,829)</u>	<u>(2,477,535)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(10,966,172)	(10,096,847)
Proceeds from sale of investments	12,205,589	12,273,374
Purchase of property and equipment	(853,536)	(108,136)
Net cash provided by investing activities	<u>385,881</u>	<u>2,068,391</u>
Cash Flows from Financing Activities:		
Pledges receivable towards capital	601,800	-
Endowment contributions	124,500	240,674
Capital contributions	-	160,000
Principal payments on long-term debt	(245,600)	(224,104)
Net cash provided by (used in) financing activities	<u>480,700</u>	<u>176,570</u>
Net Change in Cash and Cash Equivalents	(1,722,248)	(232,574)
Cash and Cash Equivalents:		
Beginning of year	<u>4,350,539</u>	<u>4,583,113</u>
End of year	<u>\$ 2,628,291</u>	<u>\$ 4,350,539</u>
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	<u>\$ 329,346</u>	<u>\$ 321,575</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains (losses) on investments	<u>\$ 436,375</u>	<u>\$ (31,606)</u>

HELLENIC COLLEGE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services					Total Program Services	General and Adminis- tration	Institutional Advancement	Buildings and Grounds	Total Expenses
	Instruction and Library Services	Centers and Institutes	Program Housing and Food Services	Student Services	Bookstore and Publishing					
Personnel and Related Costs:										
Salaries and wages	\$ 2,106,773	\$ 474,943	\$ 28,885	\$ 475,152	\$ 127,246	\$ 3,212,999	\$ 1,003,948	\$ 445,774	\$ 451,250	\$ 5,113,971
Payroll taxes and fringe benefits	674,891	126,520	4,309	124,206	23,419	953,345	302,137	131,285	246,753	1,633,520
Work study wages and student employment	46,596	14,837	27,437	48,479	24,824	162,173	17,313	-	-	179,486
Professional development	-	2,614	-	-	-	2,614	-	-	-	2,614
Total personnel and related costs	2,828,260	618,914	60,631	647,837	175,489	4,331,131	1,323,398	577,059	698,003	6,929,591
Occupancy:										
Utilities	172,515	1,162	252,801	31,903	8,695	467,076	33,645	7,901	827	509,449
Depreciation	264,979	3,939	160,174	1,166	2,008	432,266	63,757	3,728	3,015	502,766
Repairs and maintenance	77,713	4,297	54,787	47,587	6,806	191,190	102,328	38,475	103,522	435,515
Interest	-	-	-	-	-	-	329,346	-	-	329,346
Total occupancy	515,207	9,398	467,762	80,656	17,509	1,090,532	529,076	50,104	107,364	1,777,076
Other:										
Room and board	38,081	36,969	559,154	35,258	2,530	671,992	32,989	13,145	10,646	728,772
Legal and professional fees	31,522	27,036	42,135	308,009	1,200	409,902	294,369	475	25,794	730,540
Miscellaneous	14,832	240,971	3,385	75,040	24,838	359,066	167,522	10,944	17,241	554,773
Travel	37,577	141,005	-	31,387	-	209,969	61,792	1,111	-	272,872
Bad debts	-	-	-	-	28,302	28,302	44,285	200,000	-	272,587
Postage, printing and publications	35,199	23,167	-	15,761	29,893	104,020	36,230	81,390	199	221,839
Memberships and subscriptions	121,264	6,383	600	5,813	7,275	141,335	15,168	10,938	-	167,441
Insurance	41,872	4,121	45,858	17,107	2,136	111,094	18,509	5,726	21,849	157,178
Campus security	660	-	-	117,242	-	117,902	-	-	-	117,902
Student activities and events	66,019	8,968	-	184	-	75,171	-	-	-	75,171
Telephone	23,788	3,990	2,174	6,827	2,282	39,061	18,787	9,103	14,899	81,850
Cost of goods sold	-	-	-	-	61,095	61,095	-	-	-	61,095
Fundraising expense	-	-	-	-	-	-	-	57,508	-	57,508
Program supplies	18,451	8,430	535	5,096	1,272	33,784	17,782	3,719	3,504	58,789
Advertising	-	8,171	-	18,597	384	27,152	1,008	18,744	-	46,904
Honoraria	6,250	23,800	-	-	-	30,050	-	-	-	30,050
Small equipment rental	2,487	8	-	3,361	1,198	7,054	7,551	1,063	-	15,668
Total other	438,002	533,019	653,841	639,682	162,405	2,426,949	715,992	413,866	94,132	3,650,939
Total expenses before plant allocation	3,781,469	1,161,331	1,182,234	1,368,175	355,403	7,848,612	2,568,466	1,041,029	899,499	12,357,606
Buildings & Grounds Allocation	275,250	84,532	86,054	99,588	25,869	571,293	186,956	141,250	(899,499)	-
Total expenses	\$ 4,056,719	\$ 1,245,863	\$ 1,268,288	\$ 1,467,763	\$ 381,272	\$ 8,419,905	\$ 2,755,422	\$ 1,182,279	\$ -	\$ 12,357,606

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. 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 receives significant financial support from the Archbishop Iakovos Leadership 100 Fund (Leadership 100). Leadership 100 scholarship funds are offered to Greek Orthodox Archdiocese seminarian students based upon financial need, character and academic performance. The College received \$1,000,000 for the years ended June 30, 2019 and 2018, which benefitted 46 and 48 students, respectively, and is included in Archdiocese grant on the statements of activities. The College also received \$500,000 from Leadership 100 for general operations for the year ended June 30, 2019, which was included in grants and contributions on the fiscal year 2019 statement of activities.

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 (IRC). The College is also exempt from state income taxes. Donors may deduct contributions made to the College within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Recently Adopted Accounting Pronouncement

In fiscal year 2019, the College adopted FASB's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The College has adjusted the presentation of these statements accordingly. This ASU has been applied retrospectively to all periods presented. The adoption of this ASU resulted in the following changes to the College's net asset classes for the year ended June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrestricted	\$ (8,815,071)	\$ -	\$ (8,815,071)
Temporarily restricted	-	19,059,520	19,059,520
Permanently restricted	-	20,416,561	20,416,561
Total net assets, as previously stated	(8,815,071)	39,476,081	30,661,010
Adjustments required by ASU 2016-14:			
Underwater endowment funds	<u>38,301</u>	<u>(38,301)</u>	<u>-</u>
Total net assets, restated	<u>\$ (8,776,770)</u>	<u>\$ 39,437,780</u>	<u>\$ 30,661,010</u>

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement (Continued)

This ASU provides an option to omit the following information for the fiscal year 2018 financial statements:

- Analysis of expense by both natural classification and functional classification.
- Disclosures about liquidity and availability of resources.

Revenue Recognition

Tuition and fees and room and board are recorded as revenues 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 net assets with donor restrictions 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.

Donated Goods and Services

Volunteers and other organizations contribute goods and services to the College in support of various aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, organization or by management.

There were no donated goods and services received by the College during the year ended June 30, 2019 and 2018, that met the criteria for recognition in the financial statements.

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

Cash and cash equivalents consist of checking, savings and all other highly liquid instruments with an original maturity of three months or less. For the statement of cash flows, cash and cash equivalents excludes amounts held in the investment portfolio.

Accounts and Other Receivables, Pledges Receivable, and Allowances for Doubtful Accounts

Accounts and other receivables are recorded at the invoiced amounts and do not bear interest. Pledges receivable at June 30, 2019 and 2018, consist of contributions committed to the College. Pledges are recorded at their net present value when unconditionally committed (see Note 6). The allowances for doubtful accounts are management's best estimate of the amount of probable credit losses. 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.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists primarily 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 \$17,000 and \$11,000, respectively, for obsolete or slow moving inventory as of June 30, 2019 and 2018.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the College. The College has grouped its net assets without donor restrictions into the following categories:

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

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

Board designated net assets represent funds set aside by the Board of Trustees for improvements for students, online learning and infrastructure improvements. These funds may only be used with the approval of the Board of Trustees.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted).

Net assets with donor restrictions are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Academic purposes	\$ 3,563,739	\$ 4,928,523
Beneficial interest in third party trust	2,819,586	2,484,966
Capital restricted	<u>1,759,863</u>	<u>2,498,777</u>
	<u>8,143,188</u>	<u>9,912,266</u>
Subject to the College's endowment spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gift amounts of \$20,542,964 and \$20,418,464 as of June 30, 2019 and 2018, respectively), which once appropriated is expendable to support:		
Scholarships	25,047,384	27,904,482
Educational programs	<u>3,455,382</u>	<u>1,621,032</u>
	<u>28,502,766</u>	<u>29,525,514</u>
	<u>\$ 36,645,954</u>	<u>\$ 39,437,780</u>

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Scholarships	\$ 4,064,249	\$ 142,952
Academic programs	979,891	569,783
Capital	907,506	51,373
Educational programs	<u>651,363</u>	<u>698,298</u>
	<u>\$ 6,603,009</u>	<u>\$ 1,462,406</u>

Included in the fiscal year 2019 figures above is \$2,889,157 of endowment funds released as a result of an analysis of actual scholarship and academic program spending versus previously recorded releases over the past five fiscal years.

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

The College expenses advertising costs as incurred. Total advertising costs were \$8,007 and \$21,197 for the years ended June 30, 2019 and 2018, respectively.

Expense Allocation

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

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, supplies, telephone, printing and postage costs, which are allocated based on an employee census and the departments they work in; depreciation, occupancy, and all other costs are allocated on a square footage basis.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The College follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the College would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The College uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the College. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels 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.

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

Beneficial Interest in Third Party Trust

In accordance with U.S. GAAP, the College values its remaining interest in the Trust (see Note 5) using Level 3 inputs, 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.

All other qualifying assets and liabilities are valued using Level 1 inputs.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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 4). Investments consist primarily of a donor endowment. Accordingly, investments have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity.

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 in accordance with the donor's restrictions, if any. Transfers to the operating net assets, in accordance with this policy, are reflected in the statements of activities as appropriation of endowment assets for expenditure.

For the years ended June 30, 2019 and 2018, the College voted to appropriate 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 addition, during fiscal year 2019, the College released an additional \$2,889,157 from endowment appreciation related to scholarships (see page 10).

Property and Equipment and Depreciation

Purchased property and equipment of \$1,000 or more with a useful life of 3 years or more are recorded at cost (see Note 3). 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:

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

Land is not depreciated.

Subsequent Events

Subsequent events have been evaluated through March 16, 2020, which is the date the financial statements were available to be issued (see Note 15).

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 5,741,025	\$ 5,741,025
Building and building improvements	20,047,864	20,003,773
Furniture, fixtures and equipment	4,376,984	4,279,268
Construction in process	860,514	148,785
	<u>31,026,387</u>	<u>30,172,851</u>
Less - accumulated depreciation	<u>20,534,777</u>	<u>20,032,011</u>
	<u>\$ 10,491,610</u>	<u>\$ 10,140,840</u>

HELLENIC COLLEGE, INC.Notes to Financial Statements
June 30, 2019 and 2018**3. PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense for the years ended June 30, 2019 and 2018, was \$502,766 and \$502,129, respectively. Construction in process at June 30, 2019 and 2018, represents costs for the Bell Tower project and predevelopment costs for the College's future Student Center, respectively.

4. INVESTMENTS

The following is a summary of investments at fair value as of June 30:

	2019			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 480,213	\$ -	\$ -	\$ 480,213
Equities:				
Domestic common stock:				
Information technology	2,275,605	-	-	2,275,605
Health care	1,487,234	-	-	1,487,234
Consumer staples	2,122,485	-	-	2,122,485
Other industries	4,593,172	-	-	4,593,172
Foreign common stock	378,023	-	-	378,023
Fixed income:				
US Government	8,973,440	-	-	8,973,440
Domestic corporate bonds	913,978	-	-	913,978
Total investments	<u>\$ 21,224,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,224,150</u>
	2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 637,135	\$ -	\$ -	\$ 637,135
Equities:				
Domestic common stock:				
Information technology	2,193,253	-	-	2,193,253
Health care	1,892,337	-	-	1,892,337
Other industries	6,479,131	-	-	6,479,131
Foreign common stock	446,498	-	-	446,498
Fixed income:				
US Government	8,482,706	-	-	8,482,706
Domestic corporate bonds	1,165,134	-	-	1,165,134
Total investments	<u>\$ 21,296,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,296,194</u>

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

Investment returns, net in the accompanying statements of activities for the years ended June 30, 2019 and 2018 consist of:

	2019	2018
Net realized gains	\$ 730,998	\$ 1,722,484
Net unrealized gains (losses)	436,375	(31,606)
Interest and dividends	548,563	375,911
Investment fees	<u>(109,063)</u>	<u>(114,604)</u>
Investment returns, net	<u>\$ 1,606,873</u>	<u>\$ 1,952,185</u>

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

5. BENEFICIAL INTEREST IN THIRD PARTY TRUST

The College has a beneficial interest in a third party trust (the Trust) comprised of marketable securities valued using Level 1 inputs. The remaining interest in the Trust is valued using Level 3 inputs (see Note 2). 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 from 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.

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 statements of activities. The College received \$46,459 and \$70,854 of distributions for the years ended June 30, 2019 and 2018, respectively.

6. PLEDGES RECEIVABLE

Pledges receivable are due as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 246,739	\$ 881,852
Due in one to five years	552,907	868,281
Due in six to ten years	732,457	866,401
More than 10 years	<u>332,718</u>	<u>323,668</u>
	1,864,821	2,940,202
Less - discount	<u>264,056</u>	<u>388,684</u>
	1,600,765	2,551,518
Less - current portion	<u>196,739</u>	<u>480,052</u>
	1,404,026	2,071,466
Less - allowance for doubtful accounts	<u>-</u>	<u>110,000</u>
Long-term pledges receivable, net	<u>\$ 1,404,026</u>	<u>\$ 1,961,466</u>

Pledges restricted for capital have been classified as long-term on the accompanying statements of financial position, due to the long-term nature of the funds. Long-term pledges have been discounted using discount factors based on U.S. Treasury note rates. Ninety-one percent of gross pledges receivable at June 30, 2019, were from one donor. Seventy-five percent of gross pledges receivable at June 30, 2018, were due from two donors.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

7. LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
\$6,285,000 bond payable agreement with the Massachusetts Development Finance Agency (MDFA) and Brookline Bank (the Series A bonds). The Series A bonds require increasing monthly payments of principal and interest between \$4,034 and \$6,061 through September 2032. The Series A bonds bear interest at an initial fixed rate of 3.39% through September 27, 2022, at which point the interest rate will adjust to the greater of 3% or 65% of the Federal Home Loan Bank of Boston Regular Classic Five-Year Advanced (FHLB) rate, plus 2.75%. Rates will adjust again in September 2027. These bonds are secured by certain land, buildings and other assets of the College, and are cross-collateralized with the \$1,200,000 line of credit agreement (see Note 8).	\$ 5,259,469	\$ 5,466,965
\$715,000 bond payable agreement with MDFA and Brookline Bank (the Series B bonds). The Series B bonds require increasing monthly payments of principal and interest between \$27,718 and \$44,290 through October 2032. The Series B bonds bear interest at an initial fixed rate of 5.22% through September 27, 2022, at which point the interest rate will adjust to the greater of either 4% or the FHLB rate, plus 2.75%. Rates will adjust again in September 2027. These bonds are secured by certain land, buildings and other assets of the College, and are cross-collateralized with the \$1,200,000 line of credit agreement (see Note 8).	651,438	671,842
Non-interest bearing note payable to a vendor, due in average monthly principal installments of \$1,461 through December 2023. This note is secured by equipment.	<u>79,342</u>	<u>97,042</u>
	5,990,249	6,235,849
Less - current portion	257,329	248,957
Less - debt issuance costs	<u>73,050</u>	<u>78,564</u>
	<u>\$ 5,659,870</u>	<u>\$ 5,908,328</u>

Future principal payments are as follows:

2020	\$ 257,329
2021	\$ 266,011
2022	\$ 275,014
2023	\$ 404,785
2024	\$ 450,684

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

7. LONG-TERM DEBT (Continued)

The Series A and B Bonds payable agreements contains certain covenants which, among other things, require the College to maintain certain financial ratios, limit capital expenditures, and limit the incurrence of additional indebtedness. The College was not in compliance with these covenants as of June 30, 2019 and 2018 and obtained waivers.

Debt issuance costs related to these bonds payable totaling \$110,766 are shown net of accumulated interest- amortization of \$37,716 and \$32,202 as of June 30, 2019 and 2018, respectively. Net debt issuance costs are reported on the statements of financial position as a direct reduction of the face amount of the related bonds payable. Amortization of debt issuance costs for the next five years is \$5,513.

8. LINES OF CREDIT

The College has a \$1,200,000 revolving line of credit agreement with a Brookline Bank. Interest on outstanding borrowings is at the bank's prime rate (5.50% and 5.00% at June 30, 2019 and 2018, respectively) and is payable monthly. Advances under this agreement are due on demand. The line of credit is secured by certain land, buildings, and other assets of the College and is cross-collateralized with the Series A and Series B bonds (see Note 7). There was \$1,200,000 outstanding on the line of credit as of June 30, 2019 and 2018. This agreement expired in January 2020, and the line of credit is being renewed on a monthly basis (see Note 15).

The College also has a second revolving line of credit agreement with the same bank for up to \$1,000,000. Interest on outstanding borrowings is at the bank's prime rate (5.50% and 5.00% at June 30, 2019 and 2018, respectively) and is payable monthly. There are interest-only payments due until December 31, 2049, when the entire balance is due on demand. This line of credit is secured by certain investments. There was \$1,000,000 outstanding on the line of credit as of June 30, 2019 and 2018.

9. LEASES

The College rents equipment and a vehicle under various operating lease agreements. These lease agreements expire at various dates through January 2023, with monthly payments ranging from \$533 to \$4,741. Equipment rental expense for the years ended June 30, 2019 and 2018, was \$73,491 and \$74,925, respectively.

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

2020	\$ 73,174
2021	71,526
2022	64,036
2023	60,089
2024	<u>28,446</u>
Total	<u>\$ 297,271</u>

The College leases its athletic fields and gymnasium to other colleges and organizations. Rental income was \$142,437 and \$148,850 for the years ended June 30, 2019 and 2018, respectively, and is included in other income in the accompanying statements of activities. The majority of the agreements for rentals are at-will or one-time use leases.

HELLENIC COLLEGE, INC.Notes to Financial Statements
June 30, 2019 and 2018**10. ENDOWMENT**

A reconciliation of endowment activity is as follows:

Endowment net assets, June 30, 2017	<u>\$ 27,626,428</u>
Contributions	240,674
Investment returns, net	1,900,072
Appropriation of endowment assets for expenditure	(227,469)
Transfers of net assets	<u>(14,191)</u>
Net change in endowment	<u>1,899,086</u>
Endowment net assets, June 30, 2018	<u>29,525,514</u>
Contributions	124,500
Interest on interfund borrowing	512,662
Investment returns, net	1,480,289
Appropriation of endowment assets for expenditure	<u>(3,140,199)</u>
Net change in endowment	<u>(1,022,748)</u>
Endowment net assets, June 30, 2019	<u>\$ 28,502,766</u>

From time-to-time, the fair market value of assets associated with individual donor-restricted endowment funds intended for perpetual duration may fall below the original gift value. Deficiencies of this nature are comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Current fair market value	\$ 5,849,425	\$ 745,346
Original gift value	<u>5,972,049</u>	<u>783,647</u>
Deficiency	<u>\$ (122,624)</u>	<u>\$ (38,301)</u>

Deficiencies of this nature exist in certain donor-restricted endowment funds for the years ended June 30, 2019 and 2018. The deficiencies resulted from unfavorable market conditions and continued appropriation for grant programs in accordance with donor intentions and the spending policies that were deemed prudent by the Board of Directors. The College is guided by Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) in establishing spending rates.

11. DUE (TO) FROM

Certain permanently restricted contributions allow the College to use the funds in the best interest of the College with the approval of the Board of Trustees. During fiscal year 2019 the College was able to reduce this borrowing funds by \$2,917,196 via releases from its donor restricted endowment (see Note 10). During fiscal year 2018 the College borrowed \$4,013,498. As of June 30, 2019 and 2018, the College had borrowed a total of \$7,864,392 and \$10,781,588, respectively, from permanently and temporarily restricted funds.

During fiscal year 2019, the College recognized a cumulative interest assessment of 5% on the above borrowings totaling \$512,662. This cumulative interest assessment has been reflected on the accompanying statement of changes in net assets as it is neither revenue nor expense of the College, but instead is a recognition of the Board of Trustees intent to make the College's endowment funds whole, inclusive of a return.

12. RETIREMENT PLANS

The College participates with other organizations of the Archdiocese in a contributory, defined benefit, multi-employer pension plan covering the majority of clergyman and lay employees of the Archdiocese. Benefits are provided through The Pension Plan for Clergyman and Lay Employees of the Greek Orthodox Archdiocese of America (the "Pension Plan"). The College's employees represent less than 1% of all employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense allocated to the College is based on payroll cost and totaled \$39,000 for the years ended June 30, 2019 and 2018. The College has no pension liability associated with the Pension Plan. Accumulated plan benefits information for the College, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the Pension Plan and, accordingly, such information is not presented herein.

The College also maintains an employer contribution retirement plan under IRC 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 \$284,443 and \$266,440 to the plan for the years ended June 30, 2019 and 2018, respectively.

13. CONCENTRATIONS

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 have exceeded 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.

Fourteen and fifteen percent of total operating revenue for the years ended June 30, 2019 and 2018, respectively, was 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.

14. 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, 2019, management is not aware of any outstanding claims or lawsuits for and against the College.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

15. CONTINUING OPERATIONS

Hellenic College, Inc. has seen significant improvement in its financial results in fiscal year 2019. The College had a positive change in net assets without donor restrictions of approximately \$2.4 million at June 30, 2019. This is an approximate \$6 million improvement from the previous fiscal year, where there was a negative change in net assets without donor restrictions of approximately \$3.6 million.

In appreciation of the financial challenges being experienced by the College, and the higher education industry as a whole, the College has balanced its budget for the 2020 fiscal year and has an expected positive cash flow. This has been accomplished by a combination of expense reduction and increased revenues. The expense reduction plan included a decrease in personnel costs, the cancelation of professional service contracts, and an overall reduction in spending in almost all expense areas. The increase in revenue was generated by an increase in the College's funding from the Greek Orthodox Archdiocese of America, and the initiation of a solicitation program focused on a select list of donors who have a history of giving in the greater orthodox community and the fiscal means to contribute to the betterment of the institution

Looking further into the future, the College has secured a commitment from the Greek Orthodox Archdiocese of America for up to \$3,500,000 in funding each year for up to five years starting on July 1, 2020. This funding will allow the college to increase its repayment of borrowings from the endowment, as well as invest in improvements in programs and facilities. The College has also agreed with a donor to repurpose a gift initially given for the construction of a student center, a project which has become unfeasible. This \$1,325,000 gift will be repurposed for the carrying cost of the College's outstanding bonds for the next three years.

Significant improvements in the College's net assets without donor restriction, and the decrease in liabilities, have put the Institution in a positive position to meet all of its financial obligations. Along with a renewed focus on institutional planning and governance, Hellenic College Holy Cross is motivated at all levels to move into a new phase of growth that will allow for significant investment in the organization's mission to educate the future leaders of Orthodox America.

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The College's financial assets available within one year from the statement of financial position date for general operating expenses are as follows:

Cash and cash equivalents	\$ 2,628,291
Accounts receivable	417,026
Pledges receivable	<u>196,739</u>
Total financial assets	3,242,056
Less - amounts with donor restrictions	<u>(3,242,056)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ -</u></u>

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2019 and 2018

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The College's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the College has an endowment of approximately \$20 million. Although the College does not intend to spend from its endowment other than amounts appropriated for general expenditure as part of its budget, the College can borrow against the balance of the endowment. See also Note 15 related to management's plans.