



**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

HELLENIC COLLEGE, INC.

Contents
June 30, 2020 and 2019

	<u>Pages</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 22



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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, 2020 and 2019, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2020 and 2019, 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.

AAFCPAs, Inc.

Boston, Massachusetts
December 4, 2020

HELLENIC COLLEGE, INC.Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 884,499	\$ 431,048
Cash with donor restrictions	4,794,035	2,197,243
Accounts and other receivables, net of allowance for doubtful accounts of approximately \$40,000 and \$85,000 at June 30, 2020 and 2019, respectively	75,779	417,026
Current portion of pledges receivable	161,180	196,739
Inventory, net	60,164	67,337
Prepaid expenses	166,235	125,206
Total current assets	<u>6,141,892</u>	<u>3,434,599</u>
Investments	21,445,636	21,224,150
Beneficial Interest in Third Party Trust	3,007,062	2,819,586
Pledges Receivable, net of current portion	1,233,310	1,404,026
Property and Equipment, net	<u>10,260,441</u>	<u>10,491,610</u>
Total assets	<u>\$ 42,088,341</u>	<u>\$ 39,373,971</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of lines of credit	\$ 2,200,000	\$ 1,200,000
Current portion of long-term debt	242,817	257,329
Accounts payable	161,094	886,135
Accrued expenses	361,338	334,783
Deferred revenue	89,920	302,828
Total current liabilities	<u>3,055,169</u>	<u>2,981,075</u>
Long-Term Debt, net of current portion and debt issuance costs	5,426,519	5,659,870
Lines of Credit, net of current portion	<u>-</u>	<u>1,000,000</u>
Total liabilities	<u>8,481,688</u>	<u>9,640,945</u>
Net Assets:		
Without donor restrictions:		
Operating	(9,181,011)	(10,568,201)
Property and equipment	3,226,018	3,209,324
Board designated	445,949	445,949
Total without donor restrictions	<u>(5,509,044)</u>	<u>(6,912,928)</u>
With donor restrictions	<u>39,115,697</u>	<u>36,645,954</u>
Total net assets	<u>33,606,653</u>	<u>29,733,026</u>
Total liabilities and net assets	<u>\$ 42,088,341</u>	<u>\$ 39,373,971</u>

HELLENIC COLLEGE, INC.

Statements of Activities
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Tuition and fees	\$ 2,994,091	\$ -	\$ 2,994,091	\$ 3,511,218	\$ -	\$ 3,511,218
Room and board	1,453,078	-	1,453,078	1,889,643	-	1,889,643
	4,447,169	-	4,447,169	5,400,861	-	5,400,861
Less - scholarships and grants	(1,712,042)	-	(1,712,042)	(1,637,676)	-	(1,637,676)
Tuition, fees, room and board, net	2,735,127	-	2,735,127	3,763,185	-	3,763,185
Grants and contributions	4,846,020	2,351,833	7,197,853	2,355,702	1,224,652	3,580,354
Archdiocese grant	1,475,000	625,000	2,100,000	1,450,000	-	1,450,000
Investment returns, net	-	1,451,399	1,451,399	-	1,606,873	1,606,873
Endowment contributions	-	319,586	319,586	-	124,500	124,500
Other income	221,211	1,659	222,870	299,079	7,876	306,955
Bookstore revenue	201,606	-	201,606	263,135	-	263,135
Change in value of beneficial interest in trust	-	187,476	187,476	-	334,620	334,620
Interfund interest	(359,026)	359,026	-	(512,662)	512,662	-
Net assets released from restrictions - cumulative appropriation	-	-	-	2,889,157	(2,889,157)	-
Net assets released from restrictions	2,826,236	(2,826,236)	-	3,713,852	(3,713,852)	-
Total revenue	11,946,174	2,469,743	14,415,917	14,221,448	(2,791,826)	11,429,622
Expenses:						
Program services:						
Instruction and library services	3,986,120	-	3,986,120	4,056,719	-	4,056,719
Centers and institutes	1,029,389	-	1,029,389	1,245,863	-	1,245,863
Program housing and food services	1,080,175	-	1,080,175	1,268,288	-	1,268,288
Student services	1,057,691	-	1,057,691	1,467,763	-	1,467,763
Bookstore and publishing	235,531	-	235,531	381,272	-	381,272
General and administrative	2,314,834	-	2,314,834	2,755,422	-	2,755,422
Institutional advancement	838,550	-	838,550	1,182,279	-	1,182,279
Total expenses	10,542,290	-	10,542,290	12,357,606	-	12,357,606
Changes in net assets	\$ 1,403,884	\$ 2,469,743	\$ 3,873,627	\$ 1,863,842	\$ (2,791,826)	\$ (927,984)

HELLENIC COLLEGE, INC.

Statements of Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets , June 30, 2018	\$ (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	(6,912,928)	36,645,954	29,733,026
Changes in net assets	<u>1,403,884</u>	<u>2,469,743</u>	<u>3,873,627</u>
Net Assets , June 30, 2020	<u>\$ (5,509,044)</u>	<u>\$ 39,115,697</u>	<u>\$ 33,606,653</u>

HELLENIC COLLEGE, INC.Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 3,873,627	\$ (927,984)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	512,435	502,766
Interest - amortization	5,513	5,514
Bad debts	30,802	272,587
Increase in inventory reserve	-	5,834
Decrease in pledge receivable discount	-	(124,628)
Realized and unrealized gains on investments, net	(1,105,712)	(1,167,373)
Change in beneficial interest in third party trust	(187,476)	(334,620)
Endowment contributions	(319,586)	(124,500)
Changes in operating assets and liabilities:		
Accounts and other receivables	310,445	(301,209)
Pledges receivable	206,275	163,581
Inventory	7,173	(43,501)
Prepaid expenses	(41,029)	5,310
Accounts payable	(725,041)	(275,225)
Accrued expenses	26,555	(151,631)
Deferred revenue	(212,908)	(93,750)
Net cash provided by (used in) operating activities	<u>2,381,073</u>	<u>(2,588,829)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(2,421,314)	(10,966,172)
Proceeds from sale of investments	3,305,540	12,205,589
Purchase of property and equipment	(281,266)	(853,536)
Net cash provided by investing activities	<u>602,960</u>	<u>385,881</u>
Cash Flows from Financing Activities:		
Pledges received towards capital	-	601,800
Endowment contributions	319,586	124,500
Principal payments on long-term debt	(253,376)	(245,600)
Net cash provided by financing activities	<u>66,210</u>	<u>480,700</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	3,050,243	(1,722,248)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	<u>2,628,291</u>	<u>4,350,539</u>
End of year	<u>\$ 5,678,534</u>	<u>\$ 2,628,291</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Statements of Financial Position:		
Cash and cash equivalents	\$ 884,499	\$ 431,048
Cash with donor restrictions	<u>4,794,035</u>	<u>2,197,243</u>
Total cash, cash equivalents and restricted cash	<u>\$ 5,678,534</u>	<u>\$ 2,628,291</u>
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	<u>\$ 312,957</u>	<u>\$ 329,346</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains on investments	<u>\$ 925,470</u>	<u>\$ 436,375</u>

HELLENIC COLLEGE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020									2019	
	Program Services					General and	Institutional	Buildings	Total	Total	
	Instruction and Library Services	Centers and Institutes	Program Housing and Food Services	Student Services	Bookstore and Publishing	Program Services	Administrative	Advancement	and Grounds	Expenses	Expenses
Personnel and Related Costs:											
Salaries and wages	\$ 2,009,448	\$ 400,124	\$ -	\$ 460,224	\$ 20,032	\$ 2,889,828	\$ 778,846	\$ 372,587	\$ 416,632	\$ 4,457,893	\$ 5,113,971
Payroll taxes and fringe benefits	722,108	125,526	4,012	118,647	17,240	987,533	210,116	105,448	237,135	1,540,232	1,633,520
Work study wages and student employment	98,603	74,893	52,670	30,278	56,951	313,395	24,721	2,225	1,913	342,254	179,486
Professional development	899	578	-	-	-	1,477	698	-	-	2,175	2,614
Total personnel and related costs	<u>2,831,058</u>	<u>601,121</u>	<u>56,682</u>	<u>609,149</u>	<u>94,223</u>	<u>4,192,233</u>	<u>1,014,381</u>	<u>480,260</u>	<u>655,680</u>	<u>6,342,554</u>	<u>6,929,591</u>
Occupancy:											
Depreciation and amortization	288,090	4,942	147,456	8,555	1,260	450,303	60,578	2,433	4,634	517,948	502,766
Utilities	145,638	850	193,804	23,309	6,996	370,597	26,949	6,890	5,749	410,185	509,449
Repairs and maintenance	11,123	957	59,782	19,070	2,080	93,012	93,708	32,845	117,519	337,084	435,515
Interest	-	-	-	-	-	-	325,563	-	-	325,563	329,346
Total occupancy	<u>444,851</u>	<u>6,749</u>	<u>401,042</u>	<u>50,934</u>	<u>10,336</u>	<u>913,912</u>	<u>506,798</u>	<u>42,168</u>	<u>127,902</u>	<u>1,590,780</u>	<u>1,777,076</u>
Other:											
Legal and professional fees	21,091	13,556	41,201	53,369	-	129,217	467,322	2,405	60,692	659,636	730,540
Room and board	28,575	23,151	392,528	16,953	-	461,207	21,832	6,407	8,978	498,424	728,772
Miscellaneous	81,387	193,613	3,684	66,029	13,349	358,062	28,336	7,852	27,221	421,471	554,773
Insurance	44,174	1,407	89,310	21,454	2,600	158,945	5,561	1,856	27,504	193,866	157,178
Postage, printing and publications	45,587	7,282	-	12,445	17,927	83,241	12,300	85,325	198	181,064	221,839
Memberships and subscriptions	109,176	6,375	-	12,186	6,982	134,719	8,000	9,786	187	152,692	167,441
Campus security	-	-	-	101,842	-	101,842	-	-	-	101,842	117,902
Travel	16,333	58,539	-	13,652	-	88,524	10,695	276	-	99,495	272,872
Telephone	25,094	4,413	4,970	7,176	2,391	44,044	21,477	9,568	14,807	89,896	81,850
Cost of goods sold	-	-	-	-	54,063	54,063	-	-	-	54,063	61,095
Program supplies	10,989	4,217	3,480	4,103	332	23,121	9,218	1,152	3,521	37,012	58,789
Fundraising expense	-	-	-	-	-	-	-	34,261	-	34,261	57,508
Bad debts	-	-	-	-	10,000	10,000	20,802	-	-	30,802	272,587
Honoraria	3,300	18,900	-	-	-	22,200	-	-	-	22,200	30,050
Advertising	-	1,910	-	990	-	2,900	825	14,270	-	17,995	46,904
Small equipment rental	2,158	25	-	1,859	4,297	8,339	249	333	-	8,921	15,668
Student activities and events	270	4,957	-	89	-	5,316	-	-	-	5,316	75,171
Total other	<u>388,134</u>	<u>338,345</u>	<u>535,173</u>	<u>312,147</u>	<u>111,941</u>	<u>1,685,740</u>	<u>606,617</u>	<u>173,491</u>	<u>143,108</u>	<u>2,608,956</u>	<u>3,650,939</u>
Total expenses before buildings and grounds allocation	3,664,043	946,215	992,897	972,230	216,500	6,791,885	2,127,796	695,919	926,690	10,542,290	12,357,606
Buildings and Grounds Allocation	<u>322,077</u>	<u>83,174</u>	<u>87,278</u>	<u>85,461</u>	<u>19,031</u>	<u>597,021</u>	<u>187,038</u>	<u>142,631</u>	<u>(926,690)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 3,986,120</u>	<u>\$ 1,029,389</u>	<u>\$ 1,080,175</u>	<u>\$ 1,057,691</u>	<u>\$ 235,531</u>	<u>\$ 7,388,906</u>	<u>\$ 2,314,834</u>	<u>\$ 838,550</u>	<u>\$ -</u>	<u>\$ 10,542,290</u>	<u>\$ 12,357,606</u>

The accompanying notes are an integral part of these statements.

HELLENIC COLLEGE, INC.

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

	Program Services					Total Program Services	General and Adminis- trative	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	<u>2,828,260</u>	<u>618,914</u>	<u>60,631</u>	<u>647,837</u>	<u>175,489</u>	<u>4,331,131</u>	<u>1,323,398</u>	<u>577,059</u>	<u>698,003</u>	<u>6,929,591</u>
Occupancy:										
Depreciation and amortization	264,979	3,939	160,174	1,166	2,008	432,266	63,757	3,728	3,015	502,766
Utilities	172,515	1,162	252,801	31,903	8,695	467,076	33,645	7,901	827	509,449
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	<u>515,207</u>	<u>9,398</u>	<u>467,762</u>	<u>80,656</u>	<u>17,509</u>	<u>1,090,532</u>	<u>529,076</u>	<u>50,104</u>	<u>107,364</u>	<u>1,777,076</u>
Other:										
Legal and professional fees	31,522	27,036	42,135	308,009	1,200	409,902	294,369	475	25,794	730,540
Room and board	38,081	36,969	559,154	35,258	2,530	671,992	32,989	13,145	10,646	728,772
Miscellaneous	14,832	240,971	3,385	75,040	24,838	359,066	167,522	10,944	17,241	554,773
Insurance	41,872	4,121	45,858	17,107	2,136	111,094	18,509	5,726	21,849	157,178
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
Campus security	660	-	-	117,242	-	117,902	-	-	-	117,902
Travel	37,577	141,005	-	31,387	-	209,969	61,792	1,111	-	272,872
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
Program supplies	18,451	8,430	535	5,096	1,272	33,784	17,782	3,719	3,504	58,789
Fundraising expense	-	-	-	-	-	-	-	57,508	-	57,508
Bad debts	-	-	-	-	28,302	28,302	44,285	200,000	-	272,587
Honoraria	6,250	23,800	-	-	-	30,050	-	-	-	30,050
Advertising	-	8,171	-	18,597	384	27,152	1,008	18,744	-	46,904
Small equipment rental	2,487	8	-	3,361	1,198	7,054	7,551	1,063	-	15,668
Student activities and events	66,019	8,968	-	184	-	75,171	-	-	-	75,171
Total other	<u>438,002</u>	<u>533,019</u>	<u>653,841</u>	<u>639,682</u>	<u>162,405</u>	<u>2,426,949</u>	<u>715,992</u>	<u>413,866</u>	<u>94,132</u>	<u>3,650,939</u>
Total expenses before buildings and grounds 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 and Grounds Allocation	<u>275,250</u>	<u>84,532</u>	<u>86,054</u>	<u>99,588</u>	<u>25,869</u>	<u>571,293</u>	<u>186,956</u>	<u>141,250</u>	<u>(899,499)</u>	<u>-</u>
Total expenses	<u>\$ 4,056,719</u>	<u>\$ 1,245,863</u>	<u>\$ 1,268,288</u>	<u>\$ 1,467,763</u>	<u>\$ 381,272</u>	<u>\$ 8,419,905</u>	<u>\$ 2,755,422</u>	<u>\$ 1,182,279</u>	<u>\$ -</u>	<u>\$ 12,357,606</u>

The accompanying notes are an integral part of these statements.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

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 Lakovos 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, 2020 and 2019, which benefitted 48 and 46 students, respectively, and is included in tuition and fees in the accompanying statements of activities. The College did not receive any funds from Leadership 100 for general operations for the year June 30, 2020. The College received \$500,000 from Leadership 100 for general operations for the year June 30, 2019, which is included in grants and contributions in the accompanying 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).

Adoption of New Accounting Standards

The FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 1, 2019, the College adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for the fiscal year ended June 30, 2020, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the College's historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets without donor restrictions. The College does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

In fiscal year 2020, the College adopted FASB's Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

On July 1, 2019, the College also adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The College adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

Revenue Recognition

The College generally measures revenue for qualifying exchange transactions based on the amount of consideration the College expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the College satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The College evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The College recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. In addition, the students have an option to room and board on the premises. The performance obligation of providing access to housing and meals is satisfied ratably over the academic period in which the student chooses to live on campus and purchase a weekly meal plan. Contracts for tuition, room, and board are combined into a single portfolio of similar contracts. Payment for tuition and room and board is required before the start of the academic year. All amounts received prior to the commencement of the academic year, including enrollment deposits, are deferred to the applicable period. Scholarships provided to students, and discounts and refunds for students who withdraw prior to specified dates, are recorded as a reduction from the posted tuition and room and board rates at the time revenue is recognized. Fees and deposits received in advance of services provided are recorded as deferred revenue.

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

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the College must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the College should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and contributions are recorded as revenue, net of applicable discounts for doubtful accounts and net present value, when unconditionally received or pledged. Grants and contributions with donor restrictions are recorded as revenue with donor restrictions and net assets when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Contributions received with donor-imposed restrictions that are met in the same year are reported as grants and contributions (an increase to net assets without donor restrictions). Annual Fund contributions include those funds raised in a yearly appeal to alumni and other constituent supporters of the College and are classified based on the presence or absence of donor restrictions.

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 years ended June 30, 2020 and 2019, 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 statements of cash flows purposes, cash and cash equivalents excludes amounts held in the investment portfolio.

Cash With Donor Restrictions

Cash with donor restrictions represents cash balances associated with donor restricted net assets.

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, 2020 and 2019, 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, 2020 and 2019

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, for obsolete or slow moving inventory as of June 30, 2020 and 2019.

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 specified student costs, 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>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Academic purposes	\$ 5,571,313	\$ 3,563,739
Beneficial interest in third party trust	3,007,062	2,819,586
Capital restricted	<u>1,902,886</u>	<u>1,759,863</u>
	<u>10,481,261</u>	<u>8,143,188</u>
Subject to the College's endowment spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gift amounts of \$20,862,550 and \$20,542,964 as of June 30, 2020 and 2019, respectively), which once appropriated is expendable to support:		
Scholarships	27,337,522	25,047,384
Educational programs	<u>1,296,914</u>	<u>3,455,382</u>
	<u>28,634,436</u>	<u>28,502,766</u>
	<u>\$ 39,115,697</u>	<u>\$ 36,645,954</u>

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (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:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Scholarships	\$ 433,825	\$ 4,064,249
Academic programs	1,692,002	979,891
Capital	458,009	907,506
Educational programs	<u>242,400</u>	<u>651,363</u>
	<u>\$ 2,826,236</u>	<u>\$ 6,603,009</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 \$17,995 and \$46,904 for the years ended June 30, 2020 and 2019, 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, and 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.

Investments

Interest, dividend 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.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019, the College voted to appropriate all available earnings without invading principle from its endowment fund's fair value through the calendar year-end preceding the fiscal year in which the distribution was planned for all funds without a documented spending rule.

Property and Equipment and Depreciation

Purchased property and equipment of \$1,000 or more with a useful life of three 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 December 4, 2020, 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.

3. PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 5,749,225	\$ 5,741,025
Building and building improvements	21,072,063	20,047,864
Furniture, fixtures and equipment	4,486,365	4,376,984
Construction in process	-	860,514
	<u>31,307,653</u>	<u>31,026,387</u>
Less - accumulated depreciation	<u>21,047,212</u>	<u>20,534,777</u>
	<u>\$ 10,260,441</u>	<u>\$ 10,491,610</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$512,436 and \$502,766, respectively. Construction in progress at June 30, 2019, represents costs for certain construction projects which were completed in fiscal year 2020.

HELLENIC COLLEGE, INC.Notes to Financial Statements
June 30, 2020 and 2019**4. INVESTMENTS**

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

	2020			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 389,098	\$ -	\$ -	\$ 389,098
Equities:				
Domestic common stock:				
Information technology	3,071,688	-	-	3,071,688
Health care	1,760,542	-	-	1,760,542
Consumer staples	2,154,910	-	-	2,154,910
Other industries	4,457,553	-	-	4,457,553
Foreign common stock	597,592	-	-	597,592
Fixed income:				
U.S. Government bonds	7,581,360	-	-	7,581,360
Domestic corporate bonds	1,432,893	-	-	1,432,893
Total investments	<u>\$ 21,445,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,445,636</u>
	2019			
	Level 1	Level 2	Level 3	Total
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:				
U.S. Government bonds	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>

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

Investment returns, net in the accompanying statements of as of June 30, 2020 and 2019, consist of:

	2020	2019
Net realized gains	\$ 180,242	\$ 730,998
Net unrealized gains	925,470	436,375
Interest and dividends	460,705	548,563
Investment fees	<u>(115,018)</u>	<u>(109,063)</u>
Investment returns, net	<u>\$ 1,451,399</u>	<u>\$ 1,606,873</u>

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

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 contributions with donor restrictions in the accompanying statements of activities. The College received \$29,079 and \$46,459 of distributions for the years ended June 30, 2020 and 2019, respectively.

6. PLEDGES RECEIVABLE

Pledges receivable are due as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 161,180	\$ 196,739
Due in one to five years	578,202	552,907
Due in six to ten years	919,164	732,457
More than ten years	-	382,718
	<u>1,658,546</u>	<u>1,864,821</u>
Less - discount	<u>264,056</u>	<u>264,056</u>
	1,394,490	1,600,765
Less - current portion	<u>161,180</u>	<u>196,739</u>
	<u>\$ 1,233,310</u>	<u>\$ 1,404,026</u>
Long-term pledges receivable, net	<u>\$ 1,233,310</u>	<u>\$ 1,404,026</u>

Pledges restricted for capital have been classified as long-term in 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-five percent and ninety-one percent of gross pledges receivable were from one donor at June 30, 2020 and 2019, respectively.

HELLENIC COLLEGE, INC.Notes to Financial Statements
June 30, 2020 and 2019**7. LONG-TERM DEBT**

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

	<u>2020</u>	<u>2019</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 payments of \$32,681 of principal and interest through October 2027 at which time payments of principal and interest increase to \$44,290 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).	\$ 5,045,210	\$ 5,259,469
\$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 \$4,034 and \$6,061 through September 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).	630,021	651,438
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.	61,642	79,342
	<u>5,736,873</u>	<u>5,990,249</u>
Less - current portion	242,817	257,329
Less - debt issuance costs	<u>67,537</u>	<u>73,050</u>
	<u>\$ 5,426,519</u>	<u>\$ 5,659,870</u>

Future principal payments are as follows:

2021	\$ 242,817
2022	\$ 250,580
2023	\$ 364,959
2024	\$ 403,569
2025	\$ 441,462

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, 2020 and 2019, and obtained waivers.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

7. LONG-TERM DEBT (Continued)

Debt issuance costs related to these bonds payable totaling \$110,766 are shown net of accumulated interest - amortization of \$43,229 and \$37,716 as of June 30, 2020 and 2019, 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 Brookline Bank. Interest on outstanding borrowings is at the bank's prime rate (3.25% and 5.50% at June 30, 2020 and 2019, 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, 2020 and 2019. This agreement was renewed in September 2020 and matures in September 2021, at which time the entire balance is due.

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 and is payable monthly. The line of credit was renewed in September 2020 and matures in September 2021, at which time the entire balance is due. This line of credit is secured by certain investments. There was \$1,000,000 outstanding on the line of credit as of June 30, 2020 and 2019.

9. LEASES

The College rents equipment and a vehicle under various operating lease agreements. These lease agreements expire at various dates through February 2024, with monthly payments ranging from \$533 to \$4,866. Equipment rental expense for the years ended June 30, 2020 and 2019, was \$8,921 and \$15,668, respectively.

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

2021	\$ 71,526
2022	64,036
2023	60,089
2024	<u>28,446</u>
Total	<u>\$ 224,097</u>

The College leases its athletic fields and gymnasium to other colleges and organizations. Rental income was \$56,560 and \$142,437 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019

10. ENDOWMENT

A reconciliation of endowment activity is as follows at June 30:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 28,502,766	\$ 29,525,514
Contributions	319,586	124,500
Investment returns, net	1,415,001	512,662
Appropriation of endowment assets for expenditure	(313,079)	1,480,289
Transfers of net assets	<u>(1,289,838)</u>	<u>(3,140,199)</u>
Net change in endowment	<u>131,670</u>	<u>(1,022,748)</u>
Endowment net assets, end of year	<u>\$ 28,634,436</u>	<u>\$ 28,502,766</u>

In April 2020, \$1,289,838 was removed from the investment portfolio and placed in a donor restricted bank account. These funds were re-designated by the donor to be used to carry the cost of the mortgage on the Barletta property until depleted.

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>2020</u>	<u>2019</u>
Current fair market value	\$ 1,135,592	\$ 5,849,425
Original gift value	<u>1,144,414</u>	<u>5,972,049</u>
Deficiency	<u>\$ (8,822)</u>	<u>\$ (122,624)</u>

Deficiencies of this nature exist in certain donor-restricted endowment funds for the years ended June 30, 2020 and 2019. 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 Trustees. The College is guided by Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) in establishing spending rates.

11. NET ASSET BORROWING

Certain contributions held in perpetuity allow the College to use the funds in the best interest of the College with the approval of the Board of Trustees. During fiscal years 2020 and 2019, the College was able to reduce these borrowing funds by \$237,193 and \$2,917,196, respectively, via releases from its donor restricted endowment (see Note 10). As of June 30, 2020 and 2019, the College had borrowed a total of \$7,627,199 and \$7,864,392, respectively, from funds to be held in perpetuity. These amounts include interest paid on the original borrowings.

During fiscal years 2020 and 2019 the College recognized a cumulative interest of 5% on the above borrowings totaling \$359,026 and \$512,662 respectively. This cumulative interest assessment has been reflected on the accompanying statement of changes in net assets as it is neither revenue nor an 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 \$33,400 and \$28,800 and are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses for the years ended June 30, 2020 and 2019, respectively. 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 \$245,702 and \$284,443 to the plan and this is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses for the years ended June 30, 2020 and 2019, 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.

Eleven percent and fourteen percent of total operating revenue for the years ended June 30, 2020 and 2019, 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 become inadequate 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, 2020, management is not aware of any outstanding claims or lawsuits for and against the College.

In March 2020, the COVID-19 Coronavirus pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the College, its operations, timing of closings for projects currently in development, and future financial statements. The accompanying financial statements have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty. Management of the College is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the College is unable to accurately predict how the Coronavirus will affect the results of its operations, because the disease's severity and the duration of the outbreak are uncertain.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

15. CONTINUING OPERATIONS

The College has negative operating net assets of \$(9,797,439) and \$(10,568,201) as of June 30, 2020 and 2019, respectively.

Despite the financial challenges being experienced throughout the world due to the COVID-19 pandemic, the College has continued to have a balanced budget for the fiscal year 2021 and expects positive cash flow. The College has reduced the number of full time faculty for the fiscal year 2021, bringing the faculty-to-student ratio more in line with industry norms. The College has also redesigned the admissions process to increase contact with candidates that most closely fit into the Hellenic College Holy Cross target market. This will significantly impact enrollment, especially after the current health crisis has passed.

The College has also secured a commitment from the Archdiocese 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 \$1,305,000 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 restrictions, and the decrease in liabilities, have put the College 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 College's mission to educate the future leaders of Orthodox America.

16. CONDITIONAL GRANT

In March 2020, the College received notice of an award of \$111,043 in economic stabilization funds under the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act. Costs related to the funds were not incurred as of June 30, 2020, and therefore, no amount of revenue has been recognized. Management anticipates the full grant amount will be recognized in fiscal year 2021.

The College applied for and was awarded a loan of \$700,847 from the Paycheck Protection Program established by the CARES Act through a bank. The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations are subject to review and approval by the lending bank and the Small Business Association (SBA). In the opinion of management, the results of such reviews, will not have a material effect on the financial position of the College as of June 30, 2020, and on the changes in its net assets for the year then ended.

The College believes there is not more than a remote chance this loan will not be forgiven and, therefore, is accounting for it as a conditional grant under ASC Subtopic 958-605, *Revenue Recognition*. The grant is conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received are recognized as revenue when the College has incurred expenditures in compliance with the loan application and CARES Act requirements. As of June 30, 2020, the College recognized \$700,847 of grant revenue. The College has not accrued interest as of June 30, 2020, since it expects the interest to be forgiven.

HELLENIC COLLEGE, INC.

Notes to Financial Statements
June 30, 2020 and 2019

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The College's financial assets available within one year from the statements of financial position date for general operating expenses are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 884,499	\$ 431,048
Accounts receivable	75,779	417,026
Pledges receivable	<u>161,180</u>	<u>196,739</u>
Total financial assets	<u>\$ 1,121,458</u>	<u>\$ 1,044,813</u>

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.