

HELLENIC COLLEGE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

HELLENIC COLLEGE, INC.

Financial Statements

June 30, 2009 and 2008

CONTENTS

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Change in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-17
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18-19



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Hellenic College, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the College's 2008 financial statements and, in our report dated September 9, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, based upon our audits, the financial statements referred to above present fairly, in all material respects, the financial position of Hellenic College, Inc. as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated September 28, 2009, on our consideration of the College's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.


Certified Public Accountants

September 28, 2009

HELLENIC COLLEGE, INC.

Statement of Financial Position

June 30, 2009 and 2008

HELLENIC COLLEGE, INC.

Statement of Financial Position

June 30, 2009

(with summarized information as of June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Assets:					
Cash and equivalents	\$ 111,942	\$ 524,659	\$ -	\$ 636,601	\$ 1,152,034
Accounts and other receivables, net (Note 3)	222,197	79,241	-	301,438	318,539
Inventory, net	132,836	-	-	132,836	135,996
Investments (Notes 4,5)	(1,666,686)	4,047,342	17,827,494	20,208,150	23,204,122
Prepaid expenses	59,304	-	-	59,304	157,410
Due from Archdiocese (Note 6)	600,000	-	-	600,000	-
Interfund receivable (payable) (Note 7)	(1,057,087)	333,618	723,469	-	-
Property, plant and equipment, net (Note 8)	13,816,461	-	-	13,816,461	13,977,644
Other assets (Note 9)	1,135,000	-	-	1,135,000	-
Beneficial interest in third party trust (Note 10)	-	1,887,325	-	1,887,325	2,363,440
	\$ 13,353,967	\$ 6,872,185	\$ 18,550,963	\$ 38,777,115	\$ 41,309,185
Liabilities and Net Assets:					
Line of credit (Note 11)	\$ 360,000	\$ -	\$ -	\$ 360,000	\$ -
Accounts payable and accrued liabilities	872,000	-	-	872,000	899,045
Deferred revenues (Note 12)	188,849	249,931	-	438,780	805,250
Long-term debt (Notes 13,18)	7,112,654	-	-	7,112,654	7,371,124
	8,533,503	249,931	-	8,783,434	9,075,419
Net Assets:					
Unrestricted	4,820,464	-	-	4,820,464	5,716,089
Temporarily restricted (Note 14)	-	6,622,254	-	6,622,254	9,410,464
Permanently restricted (Note 15)	-	-	18,550,963	18,550,963	17,107,213
	4,820,464	6,622,254	18,550,963	29,993,681	32,233,766
Total Net Assets	\$ 4,820,464	\$ 6,622,254	\$ 18,550,963	\$ 29,993,681	\$ 32,233,766
Total Liabilities and Net Assets	\$ 13,353,967	\$ 6,872,185	\$ 18,550,963	\$ 38,777,115	\$ 41,309,185

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

HELLENIC COLLEGE, INC.

Statement of Activities and Change in Net Assets

For the Year Ended June 30, 2009

(with summarized information for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Operating:					
Revenues, Gains, and Other Support:					
Tuition and fees	\$ 3,313,155	\$ -	\$ -	\$ 3,313,155	\$ 3,067,712
Room and board	1,681,530	-	-	1,681,530	1,678,748
Tuition, fees, room and board	4,994,685	-	-	4,994,685	4,746,460
Less: financial aid	(3,182,193)	-	-	(3,182,193)	(2,650,059)
Net tuition, fees, room and board	1,812,492	-	-	1,812,492	2,096,401
Archdiocese grant (Note 6)	1,200,000	-	-	1,200,000	1,200,000
Contributions	4,810,734	1,495,078	1,443,750	7,749,562	5,061,798
Dividend and interest income	14,481	487,157	-	501,638	453,381
Realized gain/(loss) on sale of investments	(183,798)	(847,118)	-	(1,030,916)	863,134
Change in unrealized depreciation of investments	(935,429)	(2,180,279)	-	(3,115,708)	(2,003,908)
Holy Cross bookstore	416,002	-	-	416,002	466,629
Other income	561,526	-	-	561,526	749,845
Net assets released from donor restrictions (Note 14)	1,266,933	(1,266,933)	-	-	-
Total revenues, gains and other support	8,962,941	(2,312,095)	1,443,750	8,094,596	8,887,280
Expenses:					
Educational:					
Instruction and library services	4,032,065	-	-	4,032,065	3,898,325
Student housing and food services	1,282,961	-	-	1,282,961	1,254,141
Holy Cross book store	482,353	-	-	482,353	526,982
Student services	706,228	-	-	706,228	729,390
General and administrative:					
Interest expense	280,884	-	-	280,884	347,857
Development and fundraising	400,242	-	-	400,242	370,309
Operations and maintenance of plant	875,423	-	-	875,423	880,051
Administrative and institutional	1,798,410	-	-	1,798,410	1,893,499
Total Expenses	9,858,566	-	-	9,858,566	9,900,554
Change in Operating Net Assets	(895,625)	(2,312,095)	1,443,750	(1,763,970)	(1,013,274)
Non Operating:					
Change in beneficial interest in third party trust	-	(476,115)	-	(476,115)	(291,998)
Change in Net Assets	(895,625)	(2,788,210)	1,443,750	(2,240,085)	(1,305,272)
Net Assets, Beginning of Year	5,716,089	9,410,464	17,107,213	32,233,766	33,539,038
Net Assets, End of Year	\$ 4,820,464	\$ 6,622,254	\$ 18,550,963	\$ 29,993,681	\$ 32,233,766

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

HELLENIC COLLEGE, INC.

Statements of Cash Flows

For the Years Ended June 30,

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (2,240,085)	\$ (1,305,272)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Bad debts	205,394	15,109
Depreciation	801,589	850,103
Net unrealized and realized losses on investments	4,146,623	1,140,771
Change in interest of third party trust	476,115	291,998
Change in assets and liabilities:		
Accounts and other receivables	(188,293)	(82,102)
Prepaid expenses	98,106	36,098
Inventory	3,160	20,910
Due from Archdiocese	(600,000)	236,248
Other assets	(1,135,000)	-
Accounts payable and accrued liabilities	(27,045)	140,636
Deferred revenue	(366,470)	(399,832)
Net Cash Provided by Operating Activities	<u>1,174,094</u>	<u>944,667</u>
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(640,406)	(496,391)
Proceeds from sales and maturities of investments	16,479,212	11,510,741
Purchases of investments	<u>(17,629,863)</u>	<u>(11,052,983)</u>
Net Cash Applied to Investing Activities	<u>(1,791,057)</u>	<u>(38,633)</u>
Cash Flows from Financing Activities:		
Proceeds from (payments on) line of credit - net	360,000	(400,000)
Payments on long term debt	<u>(258,470)</u>	<u>(243,839)</u>
Net Cash Provided by (Applied to) Financing Activities	<u>101,530</u>	<u>(643,839)</u>
Net Increase (Decrease) in Cash and Equivalents	(515,433)	262,195
Cash and Equivalents, Beginning of Year	<u>1,152,034</u>	<u>889,839</u>
Cash and Equivalents, End of Year	<u>\$ 636,601</u>	<u>\$ 1,152,034</u>
<u>Supplemental Information:</u>		
Cash paid for interest	<u>\$ 281,884</u>	<u>\$ 349,517</u>

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

HELLENIC COLLEGE, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

Note 1 - **Organization**

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

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

Management Estimates

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

Method of Accounting

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

Financial Statement Presentation

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

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

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

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies - Continued

Financial Statement Presentation - Continued

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently. The donors of these assets permit the College to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Equivalents

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

Contributions

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

Inventory, net

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

Investments

Effective July 1, 2009, Massachusetts put into law a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), originally proposed by the Uniform Law Commission in 2006, and which has been enacted or is under consideration in 47 states. Prior to enacting UPMIFA, Massachusetts operated under the Uniform Management of Institutional Funds Act (UMIFA) that focused on prudent spending of net appreciation of the fund and emphasized the historic dollar value concept, an amount below which organizations could not spend from the fund. In the absence of overriding, explicit donor stipulations, UPMIFA prescribes new guidelines for expenditures of donor restricted funds and focuses on the prudent spending of the entire donor restricted fund, including accumulated earnings, in lieu of the historical dollar concept of UMIFA. UPMIFA's requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donors intended purpose of the endowment fund, stipulated or otherwise.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies - Continued

Investments - Continued

Under UPMIFA, donor restricted funds will continue to be classified as permanently restricted net assets, however, donor restricted funds not classified as permanently restricted net assets, such as gains and other amounts permitted to be disbursed in accordance with the donors' stipulations or deemed spent earnings on endowment funds that had not been specifically approved for expenditure, must be classified as temporarily restricted net assets until appropriately approved for expenditure by the organization.

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

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

Property, Plant and Equipment, net

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

Income Taxes

Hellenic College, Inc. is exempt from Federal income taxes under section 501 (c)(3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes in the accompanying financial statements.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 3 - Accounts and Other Receivables, Net

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

	<u>2009</u>	<u>2008</u>
Students	\$ 796,974	\$ 660,146
Interest	79,241	24,201
Bookstore	<u>24,419</u>	<u>27,994</u>
	<u>900,634</u>	<u>712,341</u>
Less: allowance for doubtful accounts	<u>599,196</u>	<u>393,802</u>
Accounts receivable, net	\$ <u>301,438</u>	\$ <u>318,539</u>

Note 4 – Investments Fair Value Measurements

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

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

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 4 - Investments Fair Value Measurements – Continued

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodology used at June 30, 2009.

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

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, the custodian believes its valuation methods are appropriate and consistent with other market participants at the reporting date.

The following tables set forth, by level, within the fair value hierarchy, the College's investments at fair value as of June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities	\$17,092,036	\$ -	\$ -	\$17,092,036
Cash	<u>3,116,114</u>	<u>-</u>	<u>-</u>	<u>3,116,114</u>
Total investments at fair value	<u>\$20,208,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,208,150</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 5 - Investments

All investments are recorded as Level 1 type investments as defined within FASB Statement No. 157. The investments are recorded at fair value and consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Money market accounts and certificates of deposit	\$ <u>3,116,114</u>	\$ <u>4,486,704</u>
Bonds:		
U.S. Government	1,853,635	785,230
Corporate	<u>2,723,965</u>	<u>2,175,855</u>
	4,577,600	2,961,085
Common and preferred stocks	<u>12,514,436</u>	<u>15,756,333</u>
Total investments	\$ <u>20,208,150</u>	\$ <u>23,204,122</u>

At June 30, 2009, certain of the College's endowment funds had an aggregate fair value less than donor stipulated levels and/or state law by \$1,666,686. These are commonly referred to as "underwater." The College had no "underwater" funds at June 30, 2008.

Changes in Endowment Net assets for the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,587,615	\$ 17,107,213	\$ 23,694,828
Investment return				
Net investment income	14,456	487,157	-	501,613
Realized (losses)	(183,798)	(847,118)	-	(1,030,916)
Net (depreciation)	(935,429)	(2,180,279)	-	(3,115,708)
Contributions	-	-	1,443,750	1,443,750
Amounts appropriated for expenditures	<u>(561,915)</u>	<u>(783,616)</u>	<u>-</u>	<u>(1,345,531)</u>
Endowment net assets, end of year	\$ <u>(1,666,686)</u>	\$ <u>3,263,759</u>	\$ <u>18,550,963</u>	\$ <u>20,148,036</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 6 - Affiliations

The Archdiocese has agreed to provide an annual subsidy of \$1.2 million to the College. At June 30, 2009, \$600,000 of this subsidy had not been received. At June 30, 2008, all such funds had been received.

During 2001, the Archbishop Iakovos Leadership 100 Fund (“Leadership 100”) made an initial commitment of \$10,000,000 over ten years to assist the College in its recruitment of students. In 2008, Leadership 100 provided additional scholarship funding, beyond their initial commitment, in support of the educational costs of seminarians in the Greek Orthodox Archdiocese of America. In 2009, Leadership 100 made an additional commitment of \$2,000,000 over the next two years. Leadership 100 funds are used to provide scholarships based upon financial need, character, and academic excellence. The College recognized approximately \$1,285,000 and \$916,000 of these monies for scholarships during the fiscal years ended 2009 and 2008, respectively. As of June 30, 2009, \$1,500,000 in scholarship funds have been pledged by Leadership 100 for future award.

In 2007, Leadership 100 made a commitment of approximately \$1,000,000 over four years to support the College's efforts to replace and/or enhance its information technology infrastructure. As of June 30, 2009, the College had received \$750,000 of these monies. As these funds are utilized, they are expected to be capitalized as property, plant, and equipment.

Note 7 - Interfund Receivable (Payable)

In August 2006, with Board and donor consent, the College was authorized to borrow up to \$1,057,000, interest free, from its endowment. As of June 30, 2009 and 2008, the College had outstanding approximately \$1,057,000 and \$491,000, respectively from its endowment. Amounts borrowed were used to pay down amounts outstanding under the College's line of credit. The College expects to pay back the borrowings as soon as practicable.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

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

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

	<u>2009</u>	<u>2008</u>
Land	\$ 5,715,955	\$ 5,715,955
Buildings and improvements	18,755,855	18,536,525
Furniture, fixtures and equipment	<u>3,071,349</u>	<u>2,650,273</u>
	<u>27,543,159</u>	26,902,753
Less: accumulated depreciation	<u>13,726,698</u>	<u>12,925,109</u>
Property, Plant and Equipment, net	\$ <u>13,816,461</u>	\$ <u>13,977,644</u>

Note 9 - **Other Assets**

In December 2008, the College was gifted certain unrestricted property comprised of land and residential buildings valued at approximately \$1,135,000. The land, in excess of one hundred acres, borders a lake and is located in a secluded section of Ohio. Management is in the process of evaluating the best use of the property.

Note 10 - **Beneficial Interest in Third Party Trust**

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

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 11 - Line of Credit

As of June 30, 2009, the College defaulted on a financial covenant that effectively required the amount due from the Archdiocese not to exceed certain levels. Consequently, the College's borrowing capacity under the line of credit decreased from \$1,500,000 to \$1,000,000 effective June 30, 2009. The line of credit expires December 31, 2009 and bears interest on a variable basis at LIBOR plus 3.50% and is renewable annually. For the fiscal year ended June 30, 2008, the line of credit interest rate was based upon prime plus 0.5%. The LIBOR rate at June 30, 2009 was 3.81% and the prime rate at June 30, 2008 was 5%. The line is collateralized by all of the assets of the College. As of June 30, 2009, the College had \$360,000 outstanding under the line and no amount was outstanding for the period ended June 30, 2008.

Note 12 - Deferred Revenues

In November, 2002, the College received an initial grant of approximately \$2,000,000, from the Lilly Foundation ("Lilly Vocational Grant"). The award agreement stipulates that the College utilize the grant proceeds over five years to develop and fund vocational awareness programs for students attending the College. In addition, in December, 2006, the College received \$500,000 as part of a matching program, the purpose of which was to further sustain the various programs under the Lilly Vocation office. This sustaining award also extended the use of any unused grant monies awarded under the initial grant to coincide with funds awarded under the sustainability grant. The combined funds are to be used by June, 2011. Upon receipt of the grants, the College deferred the income and recognizes the income as expenses are incurred. Amounts recognized as revenue and recorded as other income, as of June 30, 2009 and 2008 were \$377,022 and \$392,938, respectively.

Deferred revenues at June 30, represent the following:

	<u>2009</u>	<u>2008</u>
Lilly Vocational Grant	\$ 249,931	\$ 626,953
Other	<u>188,849</u>	<u>178,297</u>
Total Deferred Revenues	\$ <u>438,780</u>	\$ <u>805,250</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 13 - Long-Term Debt

The College's long-term debt is comprised of \$7,112,654 and \$7,371,124 in bonds payable as of June 30, 2009 and of June 30, 2008, respectively. In November 2005, the College borrowed \$7,895,000 through the Massachusetts Health and Educational Facilities Authority (MHEFA) to support the re-financing of all long-term note obligations totaling \$2,356,135 and to finance the acquisition of 6.89 acres of land abutting the College's property. The debt is supported by an irrevocable letter of credit from a bank and as collateral to the bank, the letter of credit is secured by the assets of the College. In connection with the borrowings, MHEFA issued Revenue Bonds, Pool Loan Program Issue, Series M-3 (the "Bonds"), which mature in 2025. The Bonds bear interest at a variable rate based on rates established under the Bond Market Association. At June 30, 2009 and 2008 the Bond Market Association rate was 1.36% and 1.73%, respectively. The effective rate at June 30, 2009 and 2008, including all letter of credit and annual fees, approximated 3.80% and 3.09%, respectively. Interest expense during the years ended June 30, 2009 and 2008 was \$276,817 and \$327,803, respectively.

The College maintained restricted cash of \$71,047 and \$73,658 at June 30, 2009 and 2008, respectively, in a debt service reserve fund in accordance with the loan agreement with MHEFA. The balance of the debt service reserve fund is calculated based on approximately 1% of the outstanding bonds at June 30, 2009 and 2008, respectively.

Mandatory annual principal and estimated interest payments using the effective rate on the Bonds at June 30, 2009 are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 273,978	\$ 362,745
2011	290,416	348,772
2012	307,841	333,961
2013	326,312	318,261
2014	345,891	301,619
Thereafter	<u>5,568,216</u>	<u>1,886,017</u>
Total	\$ <u>7,112,654</u>	\$ <u>3,551,375</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 14 - **Temporarily Restricted Net Assets**

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

	<u>2009</u>	<u>2008</u>
Scholarships (accumulated unexpended net income/(loss))	\$ 1,215,761	\$ 2,531,980
Academic chairs (accumulated unexpended net income)	1,917,513	3,233,699
Other academic purposes (accumulated unexpended net income)	1,601,655	1,281,345
Beneficial interest in third party trust	<u>1,887,325</u>	<u>2,363,440</u>
Total temporarily restricted net assets	\$ <u>6,622,254</u>	\$ <u>9,410,464</u>

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

	<u>2009</u>	<u>2008</u>
Scholarships	\$ 198,282	\$ 1,113,243
Academic chairs	307,640	542,935
Expended plant	370,845	400,825
Management designated restrictions	-	1,007,750
Other academic purposes	<u>390,166</u>	<u>214,504</u>
Total temporarily restricted net assets released	\$ <u>1,266,933</u>	\$ <u>3,279,257</u>

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 15 - **Permanently Restricted Net Assets**

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

	<u>2009</u>	<u>2008</u>
Scholarships	\$10,607,889	\$10,134,330
Academic chairs	5,465,284	4,550,904
Other academic purposes	<u>2,477,790</u>	<u>2,421,979</u>
Total permanently restricted net assets	<u>\$18,550,963</u>	<u>\$17,107,213</u>

Note 16 - **Pension Plan**

The College participates in the multi-employer contributory defined benefit retirement plan of the Archdiocese, which includes substantially all clergy, and full time lay employees of the College. Pension expense was \$44,550 and \$41,074 for the years ended June 30, 2009 and 2008, respectively.

The College also has a 403(b) plan to which employees can make voluntary contributions. The College matches certain contributions to the Plan. Employees become eligible to participate in the Plan after one year of service and become 100% vested in their accounts. Total contributions made by the College were \$170,416 and \$152,651 for the years ended June 30, 2009 and 2008, respectively.

HELLENIC COLLEGE, INC.

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 17 - **Risks and Uncertainties**

Cash

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

Claims

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

Note 18 - **Subsequent Event**

On August 14, 2009, the College re-financed approximately \$7,113,000 of long-term revenue bonds, previously issued through the Massachusetts Health and Educational Facilities Authority (MHEFA) under the Pool Loan Program Issue, Series M-3. In connection with the re-financing, MHEFA issued revenue bonds under the Pool Loan Program Issue, Series O (2009), which in effect, as a result of a confirmation wrap supplied by a third party around an existing irrevocable letter of credit, provided bondholders a greater level of security. The bonds continue to mature in 2025 and all future annual principal obligations remain the same as under the previous bond series, Series M-3. The bonds continue to bear interest at a variable rate based on rates established under the Bond Market Association. The borrowings are secured by all of the assets of the College.

Management has evaluated subsequent events through September 28, 2009, the date for which the financial statements were available for issuance.



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

Board of Trustees
Hellenic College, Inc.

We have audited the financial statements of Hellenic College, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated September 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated September 28, 2009.

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


Certified Public Accountants

September 28, 2009