

**THE ORTHODOX CHURCH IN AMERICA
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Orthodox Church in America

We have audited the accompanying financial statements of The Orthodox Church in America (a nonprofit Church), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 audit 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 auditors' 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 The Orthodox Church in America as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adopted of New Accounting Principle

As discussed in Note 2 to the financial statements, The Orthodox Church in America has adopted FASB Accounting Standards Update 2016-18, *Restricted Cash*. Our opinion is not modified with respect to this matter.

Other Matters

Adjustments to prior period Financial Statements

The financial statements of The Orthodox Church in America as of December 31, 2018 were audited by other auditors whose report dated October 9, 2019, expressed an unmodified opinion on those financial statements. As described in Note 14 to the financial statements, the Church has adjusted its 2018 financial statements for the correction of an error. The other auditors reported on the financial statements before the restatement.

As part of our audit of the 2019 financial statements, we also audited the correction of an error to the 2018 financial statements as described in Note 14. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to The Orthodox Church in America's 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or provide any form of assurance on the 2018 financial statements as a whole.

Satty, Levine & Ciacco CPAs PC

Satty, Levine & Ciacco, CPAs, P.C.
Melville, New York
August 4, 2020

**THE ORTHODOX CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	(Restated) 2018
ASSETS:		
Cash and cash equivalents	\$ 383,990	\$ 271,319
Restricted cash	415,360	124,998
Investments:		
Endowment pool fund	1,432,836	1,202,297
St. Andrew endowment fund	125,152	100,479
FOS endowment fund	86,866	68,887
Missions endowment fund	935,810	731,069
Annuity and unitrust fund	148,091	147,854
	<u>2,728,755</u>	<u>2,250,586</u>
Accounts receivable, net	196,386	193,512
Grant receivable	-	345,700
Note receivable	150,000	150,000
Prepaid expenses	3,500	21,777
Property and equipment, net	341,159	364,832
	<u>4,219,150</u>	<u>3,722,724</u>
TOTAL ASSETS	<u>\$ 4,219,150</u>	<u>\$ 3,722,724</u>
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 69,314	\$ 46,673
Retirement obligations	37,552	37,552
Annuity and unitrust agreements	106,527	109,479
	<u>213,393</u>	<u>193,704</u>
TOTAL LIABILITIES	<u>213,393</u>	<u>193,704</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	245,606	147,967
Invested in property and equipment	341,159	364,832
	<u>586,765</u>	<u>512,799</u>
Total without donor restrictions	586,765	512,799
With donor restrictions	3,418,992	3,016,221
	<u>4,005,757</u>	<u>3,529,020</u>
TOTAL NET ASSETS	<u>4,005,757</u>	<u>3,529,020</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,219,150</u>	<u>\$ 3,722,724</u>

See independent auditors' report and notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT, REVENUES AND RECLASSIFICATIONS			
Support:			
Diocesan contributions	\$ 1,725,504	\$ -	\$ 1,725,504
General contributions	6,765	3,383	10,148
SOCA	68,075	8,654	76,729
Missions	-	2,275	2,275
Seminary	-	878	878
Charity	-	696	696
Donated services	3,980	-	3,980
Total support	<u>1,804,324</u>	<u>15,886</u>	<u>1,820,210</u>
Revenues:			
Interest and dividends	94	58,478	58,572
Investment income, net	-	421,296	421,296
Other revenue	18,395	1,225	19,620
Total revenues	<u>18,489</u>	<u>480,999</u>	<u>499,488</u>
Reclassifications:			
Net assets released from restrictions	103,481	(103,481)	-
Total operating support, revenue and reclassifications	<u>1,926,294</u>	<u>393,404</u>	<u>2,319,698</u>
EXPENSES:			
Program services	605,335	-	605,335
General and administrative	1,180,637	-	1,180,637
Development	66,356	-	66,356
Total expenses	<u>1,852,328</u>	<u>-</u>	<u>1,852,328</u>
Change in net assets from operations	73,966	393,404	467,370
Nonoperating activities			
Change in actuarial value of annuities and unitrusts	-	2,952	2,952
Investment income, net	-	6,415	6,415
Total operating activities	<u>-</u>	<u>9,367</u>	<u>9,367</u>
Change in net assets	73,966	402,771	476,737
Net assets at beginning of year (restated)	<u>512,799</u>	<u>3,016,221</u>	<u>3,529,020</u>
Net assets at end of year	<u>\$ 586,765</u>	<u>\$ 3,418,992</u>	<u>\$ 4,005,757</u>

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>(Restated) Total</u>
OPERATING SUPPORT, REVENUES AND RECLASSIFICATIONS			
Support:			
Diocesan contributions	\$ 1,722,724	\$ -	\$ 1,722,724
General contributions	97,296	3,376	100,672
SOCA	-	74,703	74,703
Grants	-	519,700	519,700
Missions	-	1,625	1,625
Seminary	-	5,284	5,284
Charity	-	1,120	1,120
Donated services	5,260	-	5,260
Total support	<u>1,825,280</u>	<u>605,808</u>	<u>2,431,088</u>
Revenues:			
All-American council income	-	422,436	422,436
Interest and dividends	90	57,515	57,605
Investment income, net	-	(299,315)	(299,315)
Other revenue	29,428	-	29,428
Total revenues	<u>29,518</u>	<u>180,636</u>	<u>210,154</u>
Reclassifications:			
Net assets released from restrictions	601,149	(601,149)	-
Total operating support, revenue and reclassifications	<u>2,455,947</u>	<u>185,295</u>	<u>2,641,242</u>
Expenses:			
Program services	1,014,642	-	1,014,642
General and administrative	1,244,489	-	1,244,489
Development	101,092	-	101,092
Total expenses	<u>2,360,223</u>	<u>-</u>	<u>2,360,223</u>
Change in net assets from operations	95,724	185,295	281,019
Nonoperating activities			
Change in actuarial value of annuities and unitrusts	-	5,010	5,010
Investment income, net	-	(1,635)	(1,635)
Total operating activities	<u>-</u>	<u>3,375</u>	<u>3,375</u>
Change in net assets	95,724	188,670	284,394
Net assets at beginning of year	<u>417,075</u>	<u>2,827,551</u>	<u>3,244,626</u>
Net assets at end of year	<u>\$ 512,799</u>	<u>\$ 3,016,221</u>	<u>\$ 3,529,020</u>

See independent auditors' report and notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL	
	Departmental Ministries	History and Archives	External Affairs	Education and committees	Missions and Grants	Other	Total Program Services	Management and General	Development		Total Supporting Services
EXPENSES:											
Salaries, wages and benefits	\$ 57,625	\$ 110,322	\$ 38,887	\$ 44,695	\$ -	\$ 81,744	\$ 333,273	\$ 758,840	\$ 28,560	\$ 787,400	\$ 1,120,673
Transportation, travel, meals and related expenses	24,985	133	13,404	1,655	-	52,289	92,466	120,608	-	120,608	213,074
Professional fees and other outside services	20,865	12,136	-	19,060	-	2,999	55,060	44,282	33,000	77,282	132,342
Scholarships, grants and other assistance	3,000	-	-	-	36,000	25,896	64,896	-	-	-	64,896
Equipment, supplies and other religious materials	3,548	4,370	1,835	261	-	2,989	13,003	39,438	1,256	40,694	53,697
Repairs and maintenance	-	-	-	-	-	-	-	41,048	-	41,048	41,048
Utilities	-	-	-	-	-	37	37	25,691	-	25,691	25,728
Telephone	1,275	-	2,365	-	-	334	3,974	19,511	2,415	21,926	25,900
Insurance	-	-	-	-	-	-	-	43,436	-	43,436	43,436
Printing, postage and delivery services	-	-	-	37	-	7,940	7,977	8,771	1,125	9,896	17,873
Dues, fee and subscriptions	15,226	200	11,224	37	-	-	26,687	3,495	-	3,495	30,182
Conferences and meetings	4,669	-	3,191	-	-	-	7,860	1,144	-	1,144	9,004
Bank charges	-	-	-	75	-	27	102	2,307	-	2,307	2,409
Depreciation expense	-	-	-	-	-	-	-	29,077	-	29,077	29,077
Facility payment in lieu of taxes	-	-	-	-	-	-	-	40,103	-	40,103	40,103
Payroll processing fees	-	-	-	-	-	-	-	2,886	-	2,886	2,886
TOTAL EXPENSES	\$ 131,193	\$ 127,161	\$ 70,906	\$ 65,820	\$ 36,000	\$ 174,255	\$ 605,335	\$ 1,180,637	\$ 66,356	\$ 1,246,993	\$ 1,852,328

See independent auditors' report and notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	PROGRAM SERVICES							SUPPORTING SERVICES			TOTAL	
	All-American Council	Departmental Ministries	History and Archives	External Affairs	Education and committees	Missions and Grants	Other	Total Program Services	Management and General	Development		Total Supporting Services
EXPENSES:												
Salaries, wages and benefits	\$ 10,625	\$ 53,700	\$ 102,978	\$ 38,770	\$ 50,805	\$ -	\$ 14,227	\$ 271,105	\$ 795,490	\$ -	\$ 795,490	\$ 1,066,595
Transportation, travel, meals and related expenses	262,016	7,920	543	15,988	6,838	-	64,452	357,757	123,277	-	123,277	481,034
Professional fees and other outside services	26,929	7,940	1,250	-	19,025	-	48,433	103,577	55,878	93,215	149,093	252,670
Scholarships, grants and other assistance	13,605	-	-	-	-	95,333	27,207	136,145	20	-	20	136,165
Equipment, supplies and other religious materials	12,510	1,490	375	-	-	-	69,932	84,307	53,522	6,999	60,521	144,828
Repairs and maintenance	-	-	-	-	-	-	-	-	41,644	-	41,644	41,644
Utilities	-	-	-	-	-	-	29	29	27,394	-	27,394	27,423
Telephone	402	991	-	4,550	-	-	376	6,319	14,329	878	15,207	21,526
Advertising	-	-	-	-	-	-	-	-	375	-	375	375
Insurance	-	-	-	-	-	-	-	-	43,495	-	43,495	43,495
Printing, postage and delivery services	8,422	468	-	-	-	-	1,281	10,171	11,974	-	11,974	22,145
Dues, fee and subscriptions	-	14,063	180	10,853	-	-	-	25,096	5,338	-	5,338	30,434
Conferences and meetings	17,898	1,863	-	300	-	-	-	20,061	2,565	-	2,565	22,626
Bank charges	49	-	-	-	-	-	26	75	5,693	-	5,693	5,768
Depreciation expense	-	-	-	-	-	-	-	-	19,931	-	19,931	19,931
Facility payment in lieu of taxes	-	-	-	-	-	-	-	-	40,102	-	40,102	40,102
Payroll processing fees	-	-	-	-	-	-	-	-	3,462	-	3,462	3,462
TOTAL EXPENSES	\$ 352,456	\$ 88,435	\$ 105,326	\$ 70,461	\$ 76,668	\$ 95,333	\$ 225,963	\$ 1,014,642	\$ 1,244,489	\$ 101,092	\$ 1,345,581	\$ 2,360,223

See independent auditors' report and notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	(Restated) 2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 476,737	\$ 284,394
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	29,077	19,931
Net (appreciation) depreciation in fair market value of investments	(330,714)	284,907
Net change in actuarial value of annuities and unitrusts	(2,952)	(5,010)
(Increase) decrease in:		
Accounts receivable	(2,874)	80,934
Grant receivable	345,700	(345,700)
Prepaid expenses	18,277	(1,551)
Increase (decrease) in:		
Accounts payable and accrued expenses	22,641	(122,975)
Retirement obligations	-	(448)
TOTAL ADJUSTMENTS	79,155	(89,912)
Net cash provided by operating activities	<u>555,892</u>	<u>194,482</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions of property and equipment	(5,404)	(99,294)
Note receivable	-	(150,000)
Proceeds from sale of investments	587,645	758,524
Purchase of investments	(735,100)	(650,307)
Net cash (used in) investing activities	<u>(152,859)</u>	<u>(141,077)</u>
Net increase in cash and restricted cash	403,033	53,405
Cash and restricted cash - beginning of year	<u>396,317</u>	<u>342,912</u>
Cash and restricted cash - end of year	<u><u>\$ 799,350</u></u>	<u><u>\$ 396,317</u></u>

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION

A. ORGANIZATION

The Orthodox Church in America, ("the Church") was originally founded as a mission and later became a diocese in the Orthodox Church of Russia, uniting in its fold Orthodox Christians of various national backgrounds and traditions. It subsequently developed into a self-governing Metropolitanate, the Russian Orthodox Greek Catholic Church of America. Confirmation as an Autocephalous Church was accomplished by the action of the Patriarch and Holy Synod of Russia on April 10, 1970. The Church was proclaimed an Autocephalous Church on October 19, 1970, at the sessions of the All-American Council held at St. Tikhon's Monastery in South Canaan, Pennsylvania.

The Church is an Autocephalous Church with territorial jurisdiction in the United States of America and the Commonwealth of Canada. Its doctrine, discipline, and worship are those of the One, Holy, Catholic, and Apostolic Church as taught by the Holy Scriptures, Holy Tradition, the Ecumenical and Provincial Councils, and the Holy Fathers.

B. BASIS OF ACCOUNTING

The financial statements of the Church have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

C. BASIS OF PRESENTATION

The financial statements of The Orthodox Church in America have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require The Orthodox Church in America to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of The Orthodox Church in America's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Orthodox Church in America or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

D. MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to The Orthodox Church in America's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

The Church considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. INVESTMENTS

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

C. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Church groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets and liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active.
- Inputs other than quoted prices that are observable for the asset/liability.
- Inputs that are derived principally from, or corroborated by, other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

D. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has determined that no allowance is needed at December 31, 2019 and 2018.

E. PROPERTY AND EQUIPMENT

Building and equipment are stated at cost or at their estimated fair market value if donated. Costs in excess of \$3,000 and the value of donated property and equipment are capitalized. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

Building and improvements	5-40 years
Furniture, fixtures and equipment	5-7 years
Auto and truck	3-10 years
Software	5-7 years

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. ENDOWMENT INVESTMENT AND SPENDING POLICIES

The Church maintains master investment accounts for its donor-restricted endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts. In classifying such funds for financial statement purposes as either net assets with donor restrictions or net assets without donor restrictions, the Board of Trustees looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. The Trustees have determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

The Board of Trustees, acting through its Investment Committee, has established an endowment spending policy to support the current level of income needed from the endowment, while sustaining the long-term purchasing power of the endowment assets over the long-term.

The Church follows investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Church must hold in perpetuity, or for donor-specified periods. Under this policy, the endowment assets are invested in a manner that is intended to maximize returns while assuming a conservative level of investment risk. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Church relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Church targets a well-diversified and balanced asset allocation portfolio to achieve its long-term return and growth objectives within prudent risk constraints.

G. CONTRIBUTIONS AND DIOCESAN ASSESSMENTS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Diocesan contributions or assessments are recorded as revenue in the year the dioceses are assessed. Such revenue is calculated and assessed based upon an approved percentage of each diocese's budget.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CONTRIBUTED SERVICES

Contributed services are recognized as contributions at their estimated fair value in accordance with the Financial Accounting Standards Board authoritative guidance on *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased.

For the years ended December 31, 2019 and 2018, The Orthodox Church in America received donated professional services in the amount of approximately \$3,980 and \$5,260, respectively.

I. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and benefits	Time and effort
Transportation, travel, meals and related expenses	Actual or time and effort
Professional fees and other outside services	Actual or time and effort
Scholarship, grants and other assistance	Actual
Other	Actual, square footage or time and effort

J. USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

K. IMPAIRMENT LOSSES

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impairment is measured at the amount by which the carrying value exceeds the asset's fair value. If the asset is determined to be impaired, an impairment loss is recognized as a non-operating expense (non-cash) in the year the impairment was determined. There were no impairment losses recognized during the years ended December 31, 2019 and 2018.

L. INCOME TAXES

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

The most significant tax positions of the Church are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. RECLASSIFICATION

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

N. ANNUITY AGREEMENTS

The Church established gift annuities whereby donors may contribute assets in exchange for the right to receive an annual return during their lifetime. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes. The difference between the amount of the annuity and the liability for future payments, determined on an actuarial basis, is recognized as income at the date of gift. The actuarial liability for annuities payable is evaluated annually (giving effect to investment income and payments to annuitants) and any surplus or deficiency is recognized as change in actuarial value of annuities and unitrusts in the statements of activities. Assets held for annuities payable totaled \$72,245 at December 31, 2019 (\$76,120 in 2018). The present value of the remaining future liability to be distributed by the Church amounted to \$61,042 in 2019 and \$65,279 in 2018.

O. UNITRUST AGREEMENTS

The Church is named as beneficiary of various charitable remainder unitrusts and acts as the trustee. These agreements provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon receipt of these agreements, the actuarially determined present value of future payments is recorded as a liability. The remaining portion of the trust attributable to the Church's future interest is recorded in the statements of activities as contributions with donor restrictions in the period received. On an annual basis, the present value of the remaining future liability is revalued based upon actuarial assumptions. Assets held in the charitable remainder unitrusts totaled \$75,846 at December 31, 2019 (\$71,734 at December 31, 2018). The present value of the remaining future liability to be distributed by the Church is calculated using various rates and applicable mortality tables and totaled \$45,485 at December 31, 2019 (\$44,200 at December 31, 2018).

P. NEWLY ADOPTED ACCOUNTING PRINCIPLES

Effective January 1, 2019, the Church adopted Accounting Standards Update 2016-18, *Restricted Cash*, which prescribed that amounts generally described as restricted cash are required to be included in the total cash and cash equivalents on the statement of cash flows. The total must reconcile to the same amounts on the statement of financial position. The effect of the adoption of this standard was to include the restricted cash portion in the beginning of the years' total cash shown on the statements of cash flows by \$124,998.

The Church has adopted and applied retrospectively to all periods presented the standard to the financial statements and thus has provided the following reconciliation:

	<u>2019</u>	<u>2018</u>
Cash	\$ 383,990	\$ 271,319
Restricted cash	<u>415,360</u>	<u>124,998</u>
Total cash and restricted cash accounts shown in the statement of cash flows	<u>\$ 799,350</u>	<u>\$ 396,317</u>

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance clarifies the definition of an exchange transaction and the criteria for evaluating whether contributions are unconditional or conditional. ASU 2018-08 was applied on a modified prospective basis to agreements that were not completed at January 1, 2019, or that were entered into after that date. The guidance under the ASU did not have a significant impact on the Church's financial statements.

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NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents The Orthodox Church in America's financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 383,990	\$ 271,319
Restricted cash	415,360	124,998
Investments	2,728,755	2,250,586
Accounts receivable, net	196,386	193,512
Grant receivable	-	345,700
Total financial assets	<u>3,724,491</u>	<u>3,186,115</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>3,418,992</u>	<u>3,016,221</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 305,499</u>	<u>\$ 169,894</u>

The Church's goal is generally to maintain financial assets to meet the general operating expenses.

NOTE 4. RESTRICTED CASH

The cash is restricted for the purpose of the thriving in ministry initiative grant. Restricted cash at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Restricted cash - Thriving in ministry program	<u>\$ 415,360</u>	<u>\$ 124,998</u>

NOTE 5. INVESTMENTS

Investments are reported at fair value in accordance with authoritative guidance issued by the Financial Accounting Standards Board on *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Fair value is determined by using quoted market prices, where available. When quoted market prices are not available, the present value of estimated or expected future cash flows or another reasonable method is used.

Investments as of December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Corporate equity securities	\$ 2,078,111	\$ 1,577,850
Money market funds	444,529	493,893
Fixed income securities	60,849	19,741
Mutual funds	73,021	82,982
Annuity investments	72,245	76,120
	<u>\$ 2,728,755</u>	<u>\$ 2,250,586</u>

At December 31, 2019 and 2018, all investments were considered level 1 investments, except for the annuity investments which were considered level 2 investments.

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NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land (non-depreciable)	\$ 45,000	\$ 45,000
Archive room improvements in progress (non-depreciable)	104,067	104,067
Building and improvements	570,508	570,508
Furniture, fixtures and equipment	200,787	195,384
Software	33,000	33,000
Total property and equipment	<u>953,362</u>	<u>947,959</u>
Less: Accumulated depreciation	<u>(612,203)</u>	<u>(583,127)</u>
Property and equipment, net	<u>\$ 341,159</u>	<u>\$ 364,832</u>

NOTE 7. EMPLOYEE BENEFIT PLANS

PENSION PLANS:

Substantially all full-time employees participate in The Orthodox Church in America Pension Plan (Plan). This multi-employer plan, administered by the pension board of the Church, is a contributory plan, and provides defined benefits based on years of service and remuneration near retirement. The risks of participating in this multi-employer plan differ from single-employer plans in the following aspects:

- a) Assets contributed to the Plan by one employer may be used to provide benefits to employees of other participating employers;
- b) If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers;
- c) if the Church chooses to stop participating in the Plan, it may be required to pay to the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

Eligible employees are all employees of the Church and its related entities, except for employees that are older than age 60 and have not elected to be part of the Plan. Bishops and priests become members of the Plan on the first day of the month after they begin service with the Church. Full-time employees are eligible to participate in the Plan on the first day of the month after their date of hire. Participants with five years of services are entitled to pension benefits upon retirement. Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities, including a lump-sum payment option. Pension expense, representing the Church's required contribution to the Plan, was \$54,451 in 2019 and \$57,762 in 2018. The contribution made by the Church represented approximately 2.06% and 2.25% of the total contributions made to the Plan in December 31, 2019 and 2018, respectively. To the extent the Plan is underfunded, future contributions to the Plan may increase.

The Plan is a non-electing church plan which means the Plan sponsor has not elected to be covered by the terms of the Employee Retirement Income Security Act of 1974 (ERISA), and is not required to file Form 5500. The Plan's fiscal year is from January 1 to December 31.

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NOTE 7. EMPLOYEE BENEFIT PLANS (continued)

The following table discloses the name and funded status of the Plan as of January 1, 2020 and 2019 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as December 31, 2019 and 2018:

<u>The Orthodox Church in America Pension Plan (Plan EIN: 06-1455789)</u>	<u>Actuarial present value of accumulated plan benefits</u>	<u>Fair value of plan assets</u>	<u>Total net contributions</u>	<u>Funded Status</u>
2019	\$ 55,648,391	\$ 24,957,647	\$ 2,642,534	44.85%
2018	\$ 52,989,527	\$ 22,081,351	\$ 2,567,215	41.67%

OTHER RETIREMENT BENEFITS:

In 2007, the Church entered into an agreement with a former employee whereby the Church agreed to make monthly payments of \$950 to the former employee in lieu of retirement benefits from the separate Orthodox Church in American Pension Plan. The agreement exists to rectify a situation whereby the former employee had been improperly excluded from participation in the Orthodox Church in America Pension Plan, and will continue until the former employee's death. Payments related to this agreement amounted to \$11,400 for each of the years ended December 31, 2019 and 2018. The actuarially calculated liability for future payments under this obligation amounted to approximately \$37,000 each year.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Net assets with donor restrictions, time and purposes were available for the following purposes as of December 31, 2019 and 2018:

	<u>2018</u>	<u>Additions/ Investment Activities</u>	<u>Release</u>	<u>2019</u>
Mission churches	\$ 878,320	\$ 207,490	\$ -	\$ 1,085,810
Thriving in ministries	470,698	-	56,921	413,777
Archives fund	106,954	-	15,993	90,961
Restricted endowments excess earnings	228,648	139,164	-	367,812
General purpose endowment excess earnings	131,571	75,457	-	207,028
Charity	68,923	695	17	69,601
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	4,760	878	-	5,638
Youth director	-	54,907	11,781	43,126
Other	-	18,294	18,769	(475)
	<u>\$ 1,978,730</u>	<u>\$ 496,885</u>	<u>\$ 103,481</u>	<u>2,372,134</u>
Donor restricted endowment funds				
General purposes				240,736
Restricted purposes				775,762
Charitable remainder unitrust				<u>30,360</u>
Total net assets with donor restrictions				<u>\$ 3,418,992</u>

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NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

	2017	Additions/ Investment Activities	Release	2018
Mission churches	\$ 952,143	\$ 21,510	\$ 95,333	\$ 878,320
Thriving in ministries	-	470,698	-	470,698
Archives fund	174,304	-	67,350	106,954
Restricted endowments excess earnings	296,822	(68,174)	-	228,648
General purpose endowment excess earnings	164,668	(33,097)	-	131,571
Charity	70,803	1,120	3,000	68,923
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	2,677	5,285	3,202	4,760
All-American council		422,436	422,436	-
Other	43,162	(33,334)	9,828	-
	<u>\$ 1,793,435</u>	<u>\$ 786,444</u>	<u>\$ 601,149</u>	<u>1,978,730</u>
Donor restricted endowment funds				
General purposes				237,541
Restricted purposes				775,762
Charitable remainder unitrust				<u>24,188</u>
Total net assets with donor restrictions				<u>\$ 3,016,221</u>

NOTE 9. ENDOWMENTS

The Church's endowments consist of approximately 40 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Church classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Church. The Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Church and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the Church.
- 7) The investment policies of the Church.

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NOTE 9. ENDOWMENTS (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or endowment agreement requires the Church to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in net assets without donor restrictions and that future gains be allocated to net assets without donor restrictions until such losses have been restored.

The following represents a detail of the donor-restricted endowment net asset composition:

	With Purpose Restrictions	To be Held in Perpetuity	Total
Donor restricted endowments for 2019:			
General purposes	\$ 207,028	\$ 240,736	\$ 447,764
Restricted purposes	367,812	775,762	1,143,574
Total endowment funds	<u>\$ 574,840</u>	<u>\$ 1,016,498</u>	<u>\$ 1,591,338</u>
Endowment net assets, January 1, 2019	<u>\$ 360,219</u>	<u>\$ 1,013,303</u>	<u>\$ 1,373,522</u>
Investment return:			
Interest and dividend income, net of fees	33,552	-	33,552
Realized and unrealized gains	181,069	-	181,069
Total investment return	214,621	-	214,621
Contributions	-	3,195	3,195
Endowment net assets, December 31, 2019	<u>\$ 574,840</u>	<u>\$ 1,016,498</u>	<u>\$ 1,591,338</u>
Donor restricted endowments for 2018:			
General purposes	\$ 131,571	\$ 237,541	\$ 369,112
Restricted purposes	228,648	775,762	1,004,410
Total endowment funds	<u>\$ 360,219</u>	<u>\$ 1,013,303</u>	<u>\$ 1,373,522</u>
Endowment net assets, January 1, 2018	<u>\$ 316,020</u>	<u>\$ 1,009,928</u>	<u>\$ 1,325,948</u>
Investment return:			
Interest and dividend income, net of fees	124,880	-	124,880
Realized and unrealized losses	(80,681)	-	(80,681)
Total investment return	44,199	-	44,199
Contributions	-	3,375	3,375
Endowment net assets, December 31, 2018	<u>\$ 360,219</u>	<u>\$ 1,013,303</u>	<u>\$ 1,373,522</u>

NOTE 10. LEASE COMMITMENTS

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$15,775 in 2019 and \$19,840 in 2018. Estimated future minimum lease payments by year and in the aggregate under the leases consist of the following:

<u>December 31,</u>	
2020	<u>\$ 6,435</u>

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NOTE 11. RELATED PARTY TRANSACTIONS

Note receivable consists of a \$150,000 promissory note from the Orthodox Church Capital Improvement Fund. The Promissory Note is dated May 21, 2018, with interest at 2.75%. The note calls for monthly interest only payments of \$343.75 for 59 months commencing December 20, 2018 with a balloon payment of the principal balance of \$150,000 due December 20, 2023.

NOTE 12. CONTINGENCIES

The Church, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Church is not aware of any claims or contingencies, which are not covered by insurance that would have a material adverse effect on the Church's financial position, changes in net assets or cash flows.

NOTE 13. CONCENTRATION OF CREDIT RISK

The Church maintains all of its cash, cash equivalents and investments in high credit quality financial intuitions. Accounts at the institutions are either insured by the Federal Depository Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). The FDIC insured limit for the years ended December 31, 2019 and 2018 was \$250,000. The SIPC insured limit for the years ended December 31, 2019 and 2018 was \$500,000. At December 31, 2019 and 2018, the Church had assets that were in excess of the insured limits.

The Church's revenues are primarily from Diocesan contributions, general supports and investment incomes.

NOTE 14. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2019, management discovered that the accounts payable was overstated by \$46,559 in the previous year. The effect of the restatement on the financial statements was to increase beginning net assets and decrease the accounts payable by \$46,559.

NOTE 15. SUBSEQUENT EVENTS

The Church has evaluated events and transactions that occurred through August 4, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

The Church's operations will be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, has been declared a pandemic by the World Health Organization. The ultimate disruption which will be caused by the outbreak is uncertain; and management, at this time, cannot reasonably estimate the amount of impact it will have on the Organization's financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Church's special events and sponsorship and the possible decline in value of investments owned by the Church.