

**The Orthodox Church in America**

Financial Statements

and

Auditor's Report

Year Ended December 31, 2010

# The Orthodox Church in America

## Table of Contents

Independent Auditor's Report

### **Financial Statements:**

Statement of Financial Position Page 4

Statement of Activities Page 5

Statement of Cash Flows Page 6

Notes to the Financial Statements Page 7

### **Supplementary Information:**

Supplemental Schedule of Expenses Page 17

To the Metropolitan Council  
The Orthodox Church in America

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of The Orthodox Church in America (the Church) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the Church. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's December 31, 2009 combined financial statements and, in our report dated September 23, 2010, we expressed a qualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orthodox Church in America as of December 31, 2010 and the change in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lambrides, Lamos, Taylor LLP*

October 7, 2011

**The Orthodox Church in America**  
**Statement of Financial Position**  
**December 31, 2010**  
**With Comparative Figures at December 31, 2009**

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 464,805	\$ 360,761
Assessments and other accounts receivable	132,769	88,868
Note receivable	17,283	18,633
Bequest receivable		10,000
Prepaid expenses	13,017	6,677
Capitalized mortgage closing costs (net)	69,050	73,434
Investments:		
Endowment fund pool	464,678	462,098
St. Andrew endowment fund	101,108	100,832
FOS endowment fund	67,731	67,662
Annuity and unitrust agreements	744,788	815,790
Land, buildings and equipment (net of accumulated depreciation)	<u>250,337</u>	<u>271,057</u>
Total assets	<u>\$ 2,325,566</u>	<u>\$ 2,275,812</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 61,987	\$ 355,380
Loans payable	802,678	912,168
Deferred revenue	7,447	
Annuity and unitrust agreements	<u>469,813</u>	<u>537,758</u>
Total liabilities	<u>1,341,925</u>	<u>1,805,306</u>
<b>Net assets:</b>		
Unrestricted	(843,460)	(1,351,845)
Temporarily restricted	808,026	795,606
Permanently restricted	<u>1,019,075</u>	<u>1,026,745</u>
Total net assets	<u>983,641</u>	<u>470,506</u>
Total liabilities and net assets	<u>\$ 2,325,566</u>	<u>\$ 2,275,812</u>

See notes to financial statements.

**The Orthodox Church in America**  
**Statement of Activities**  
**Year Ended December 31, 2010**  
**With Summarized Comparative Figures for the Year Ended December 31, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Totals	2009 Totals
<b>Support, revenue and releases:</b>					
Contributions:					
Fellowship of Orthodox Stewards	\$ 44,453			\$ 44,453	\$ 135,704
Charity		\$ 3,592		3,592	10,567
Missions		59,198		59,198	38,975
Seminary		4,708		4,708	2,239
General contributions	22,936			22,936	45,815
Other restricted		35		35	560
Total contributions	<u>67,389</u>	<u>67,533</u>		<u>134,922</u>	<u>233,860</u>
Revenue:					
Assessments	2,400,989			2,400,989	2,453,710
Publications	7,704			7,704	12,053
Miscellaneous	29,313			29,313	31,354
Total revenue	<u>2,438,006</u>			<u>2,438,006</u>	<u>2,497,117</u>
Total support and revenue before net assets released from restrictions	2,505,395	67,533		2,572,928	2,730,977
Net assets released from restrictions	<u>61,801</u>	<u>(61,801)</u>			
Total support, revenue and releases	<u>2,567,196</u>	<u>5,732</u>		<u>2,572,928</u>	<u>2,730,977</u>
<b>Expenses:</b>					
Program services	<u>731,334</u>			<u>731,334</u>	<u>1,067,108</u>
Supporting services:					
General administrative	978,341			978,341	1,002,357
Development	<u>174,853</u>			<u>174,853</u>	<u>175,727</u>
Total supporting services	<u>1,153,194</u>			<u>1,153,194</u>	<u>1,178,084</u>
Total expenses	<u>1,884,528</u>			<u>1,884,528</u>	<u>2,245,192</u>
<b>Change in net assets from operations</b>	682,668	5,732		688,400	485,785
Other changes:					
Depreciation	(29,079)			(29,079)	(48,166)
Amortization of closing costs	(4,384)			(4,384)	(4,384)
Net investment income	2,536	3,077		5,613	5,998
Change in actuarial value of unitrusts		3,611	\$ (7,670)	(4,059)	(12,424)
Settlement of litigation					(250,000)
Professional fees - legal	<u>(143,356)</u>			<u>(143,356)</u>	<u>(453,627)</u>
<b>Change in net assets after other changes</b>	508,385	12,420	(7,670)	513,135	(276,818)
<b>Net assets at beginning of year</b>	<u>(1,351,845)</u>	<u>795,606</u>	<u>1,026,745</u>	<u>470,506</u>	<u>747,324</u>
<b>Net assets at end of year</b>	<u>\$ (843,460)</u>	<u>\$ 808,026</u>	<u>\$ 1,019,075</u>	<u>\$ 983,641</u>	<u>\$ 470,506</u>

See notes to financial statements.

**The Orthodox Church in America**  
**Statement of Cash Flows**  
**Year Ended December 31, 2010**  
**With Comparative Figures for the Year Ended December 31, 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 513,135	\$ (276,818)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	29,079	48,166
Amortization of mortgage closing costs	4,384	4,384
Net realized and unrealized (gain) loss on investments	(531)	923
Change in actuarial valuation of annuities and unitrusts	4,059	12,424
(Increase) decrease in:		
Assessments and other accounts receivable	(43,901)	(38,268)
Note receivable	1,350	9,243
Prepaid expenses	(6,340)	(6,677)
Bequest receivable	10,000	
Inventory		23,708
Increase (decrease) in:		
Accounts payable and accrued expenses	(293,393)	162,020
Deferred compensation	<u>7,447</u>	
Net cash provided (used) by operating activities	<u>225,289</u>	<u>(60,895)</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(8,359)	
Purchase of investments	(274,476)	(590,012)
Proceeds from sale of investments	<u>271,080</u>	<u>684,357</u>
Net cash provided (used) by investing activities	<u>(11,755)</u>	<u>94,345</u>
<b>Cash flows from financing activities:</b>		
Repayment of principal	<u>(109,490)</u>	<u>(103,593)</u>
Net cash used by financing activities	<u>(109,490)</u>	<u>(103,593)</u>
<b>Net increase (decrease) in cash</b>	104,044	(70,143)
<b>Cash at beginning of year</b>	<u>360,761</u>	<u>430,904</u>
<b>Cash at end of year</b>	<u>\$ 464,805</u>	<u>\$ 360,761</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest expense	<u>\$ 69,014</u>	<u>\$ 76,773</u>

See notes to financial statements.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**1. Organization and Purpose:**

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 Orthodox Church in America 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 Orthodox Church in America 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.

The Orthodox Church in America is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Church has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

**2. Summary of Significant Accounting Policies:**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**a. Accrual Basis Financial Statements**

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

**b. Net Assets**

The Orthodox Church in America reports in accordance with FASB ASC 958. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor-imposed) restrictions. The net assets of the Church and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the Church which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**2. Summary of Significant Accounting Policies: (Continued)**

- Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be permanently retained. Generally, the donors of these funds permit the organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

**c. 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 a 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. At December 31, 2010, there is no allowance.

**d. Contributions**

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Contributions of property, buildings and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets. Contributions of cash or other assets to be used to acquire property, plant and equipment are reported as revenue of the temporarily restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**e. Cash and Cash Equivalents**

Cash and cash equivalents include all cash on hand and in banks. The Church also considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**f. Inventory**

Inventory consists of church related books and literature held for future distribution. They are valued at cost. Cost is determined by the first-in first-out method.

**g. Investments**

Investments in equity securities with readily determinable fair market values and all investments in debt securities are reported at fair market value, with gains and losses included in the statement of activities. Donated investments are reflected as contributions at their fair market values at date of receipt. In addition, the Church considers certain cash, money market, and highly liquid investments to be either temporarily or permanently restricted as long-term investments.



**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**2. Summary of Significant Accounting Policies: (Continued)**

**h. Investment Pools**

The Church maintains master investment accounts for its donor-restricted and board-designated 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.

**i. Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost, or, if donated, at the estimated fair market value at the date of donation. Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives.

Estimated useful lives are:

Buildings and improvements	40 years
Furniture and equipment	3-10 years
Software	3 years

Donations of land, buildings, and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support.

If there are no donor stipulations regarding how long those donated assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Church reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**j. Fair Value Measurements**

Fair market value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Church must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs), or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

**k. Adoption of New York Prudent Management of Institutional Funds Act (NYPMIFA)**

The State of New York enacted NYPMIFA effective September 17, 2010, the provisions of which apply to endowment funds existing on or established after that date. Based upon the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), a model state law drafted in 2006, NYPMIFA updates and broadens standards governing the management and investment of charitable gifts by New York nonprofit institutions. Management of the Church intends to review NYPMIFA, in its entirety, with legal counsel, to fully understand the extent of the law's new requirements and determine the appropriate accounting treatment and application to future periods.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**2. Summary of Significant Accounting Policies: (Continued)**

**l. Accounting for Uncertainty in Income Taxes**

The Church's current accounting policy is to disclose liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor is it aware of any exposure to unrelated business income tax.

**m. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from their estimates.

**n. Prior Year Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**o. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**3. Cash and Cash Equivalents:**

Cash and cash equivalents at December 31, 2010 consist of the following:

Unrestricted operating funds	\$155,077
St. Sergius Chapel account	32,504
Reserve account	39,307
Honesdale – checking	15,701
Honesdale – restricted money market	<u>222,216</u>
	<u>\$464,805</u>

**4. Assessments and Accounts Receivable:**

Assessments and accounts receivable at December 31, 2010 are comprised of the following:

Accounts receivable	\$ 18,684
Assessments receivable	<u>114,085</u>
	<u>\$132,769</u>

Accounts and assessments receivables are expected to be collected in the subsequent year.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**5. Note Receivable:**

A note receivable that originally totaled \$55,000 is repayable in monthly installments of \$250 and matures in August 2017. The loan was made to a priest who had significant medical expenses. The balance of the note as of December 31, 2010 is \$17,283.

**6. Capitalized Mortgage Closing Costs:**

Closing costs of \$87,682 pertaining to a \$1,700,000 refinance have been capitalized and are being amortized over the life of the loan (twenty years). As of December 31, 2010, accumulated closing cost amortization was \$18,632, leaving a net balance of \$69,050. Total amortization expense during the year ended December 31, 2010 was \$4,384.

**7. Investments:**

Investments are reported at market value as of December 31, 2010 and consist of:

Money market funds	\$ 76,372
Certificates of deposit	180,000
Federated cash obligations	322,000
U.S. government agency obligations	29,602
Fixed income securities	25,543
Other (gift annuities held by third party)	<u>744,788</u>
	<u>\$1,378,305</u>

**8. Fair Value Measurements:**

The following table presents information about the Church's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010, and indicates the fair value hierarchy of the valuation techniques the Church utilized to determine such fair value:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
<b>Assets:</b>			
Endowment fund pool	\$ 464,678	\$ 464,678	
St. Andrew endowment	101,108	101,108	
FOS endowment fund	67,731	67,731	
Annuity and unitrusts	<u>744,788</u>	<u>643,344</u>	\$ 101,444
	<u>\$ 1,378,305</u>	<u>\$ 1,276,861</u>	<u>\$ 101,444</u>
<b>Liabilities:</b>			
Annuity and unitrusts	\$ 469,813		\$ 469,813
	<u>\$ 469,813</u>		<u>\$ 469,813</u>

The carrying value of cash, assessments and other accounts receivable, notes receivable, prepaid expenses, accounts payable, and deferred revenue are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**9. Temporarily Restricted Net Assets:**

Temporarily restricted net assets are for the following purposes:

Mission appeal	\$ 27,470
Seminary appeal	26,326
Publication reserve fund	19,556
Charity	78,320
Theological education – academic fellowship	59,300
Chaplain reserve	1,896
Uni-trust (life income) funds	155,782
General purpose endowments excess earnings	153,247
Restricted endowments excess earnings	276,302
Other restricted purposes	<u>9,827</u>
 Total	 <u>\$808,026</u>

**10. Net Assets Released From Restrictions:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors.

Restrictions satisfied:

Mission appeal	\$36,675
Publication reserve fund	607
Charity	20,000
Other restricted purposes	<u>4,519</u>
 Total	 <u>\$61,801</u>

**11. Permanently Restricted Net Assets:**

The Church's endowments include donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Metropolitan Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions as specified in the *Summary of Significant Accounting Policies* outlined in these notes.

Interpretation of Relevant Law

As described in Note 2k above, Management intends to review the newly-enacted endowment legislation (NYPMIFA) *in its entirety*, with legal counsel, to fully understand the extent of the law's new requirements and determine the appropriate accounting treatment and application to future periods. Currently, the Metropolitan Council of the Church has interpreted the previous legislation, *Uniform Management of Institutional Funds Act* (UMIFA), as requiring the preservation of the historic dollar value of endowment funds at the time of the original contribution to the fund, absent donor stipulations to the contrary. As a result of this interpretation, the Church classifies as permanently restricted net assets:

- a. the original value of gifts donated to the permanent endowment,
- b. the original value of subsequent gifts to the permanent endowment; and
- c. accumulations to the permanent endowment if directed by the applicable donor gift instrument.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**11. Permanently Restricted Net Assets: (Continued)**

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets, unless such appreciation and income has been restricted by the original donor gift instrument for specific purposes. In the latter case, all appreciation and income would be classified as temporarily restricted net assets.

*Return Objectives and Risk Parameters*

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.

*Strategies Employed for Achieving Objectives*

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 that places a greater emphasis on cash and fixed income investments (over 60%) to achieve its long-term return and growth objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Church has a policy of appropriating funds for distribution only to fund specific projects and programs, when needed. This spending policy allows the endowment funds to grow annually. This is consistent with the Church objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment funds for the fiscal year ended December 31, 2010, consisted of the following:

	<u>Net Assets</u>		<u>Totals</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
Endowment net assets, beginning of year	\$ 426,472	\$ 1,026,745	\$ 1,453,217
Interest and dividends, net of fees	3,489		3,489
Unrealized losses	(412)		(412)
Change in value of unitrusts	_____	(7,670)	(7,670)
Change in endowment net assets	3,077	(7,670)	(4,593)
Endowment net assets, end of year	<u>\$ 429,549</u>	<u>\$ 1,019,075</u>	<u>\$ 1,448,624</u>

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**12. Investment Income:**

Investment income is reported net of related expenses as follows:

Interest and dividend income	\$ 8,524
Unrealized gains	531
Investment fees	<u>(3,442)</u>
Total	<u>\$ 5,613</u>

**13. Land, Buildings and Equipment:**

A summary of land, buildings and equipment at December 31, 2010 follows:

Land, buildings and improvements	\$ 531,783
Furniture, fixtures and equipment	455,251
Software	<u>3,000</u>
	990,034
Less: Accumulated depreciation	<u>(739,697)</u>
Total	<u>\$ 250,337</u>

**14. Long-term Debt:**

Long-term debt at December 31, 2010 consisted of the following:

\$1,700,000 mortgage loan payable bearing interest at an initial rate of 7.97% for the first 48 months (through September 2010). This mortgage is payable in monthly installments of principal and interest of \$14,300 until September 2010, when the interest rate adjusted to the New York prime rate minus .25%, at which time the corresponding monthly payment amount was re-amortized over the remaining term of the loan. The interest rate and corresponding monthly payment will readjust every 12th month thereafter until the maturity date in October 2026 when the loan is due and payable in full. The interest rate as of December 31, 2010 is 7%. This mortgage is collateralized by property in Oyster Bay, New York.

\$ 789,374

The Church has an automobile loan payable, with interest at a fixed rate of 3.90%. The loan is payable in monthly installments of principal of \$575 and is due and payable in full in January 2013. The balance of the loan as of December 31, 2010 is:

13,304

\$802,678

Estimated principal payments for the succeeding five years and thereafter are as follows:

Year Ending December 31,	
2011	\$118,405
2012	127,893
2013	131,498
2014	142,475
2015	154,424
After 2015	<u>127,983</u>
	<u>\$802,678</u>

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**15. Lease Commitments:**

The Church leases office equipment under non-cancellable operating leases. Estimated future minimum lease payments by year and in the aggregate under the lease consists of the following as of December 31, 2010:

**Year Ending December 31,**

2011	\$20,457
2012	<u>8,568</u>
	<u>\$29,025</u>

**16. Annuity and Unitrust Agreements:**

*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 investment income. Assets held for annuities payable totaled \$101,443 at December 31, 2010. The present value of the remaining future liability to be distributed by the Church at December 31, 2010 is

\$ 93,330

*Unitrust agreements*

The Church is named as beneficiary of several charitable remainder unitrusts. A unitrust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Church's use. The portion of the trust attributable to the present value of the future benefits to be received by the Church is recorded in the Statement of Activities as a temporarily restricted contribution in the period the trust is established. On an annual basis, the Church revalues the present value of the remaining future liability based upon actuarial assumptions. Assets held in the charitable remainder unitrusts totaled \$643,345 at December 31, 2010. The present value of the remaining future liability to be distributed by the Church is calculated using various rates and applicable mortality tables and at December 31, 2010 totals

376,483

\$469,813

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2010**

**17. Retirement Plan:**

The Church participates in the Orthodox Church in America pension plan, which is a multi-employer plan. The plan provides defined benefits with participation available to all full-time employees. The retirement benefit costs charged to expense in 2010 amounted to \$46,959.

**18. Subsequent Events:**

Management of the Church has evaluated subsequent events through October 7, 2011, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.



**The Orthodox Church in America  
Supplemental Schedule of Expenses  
Year Ended December 31, 2010  
With Summarized Comparative Figures for the Year Ended December 31, 2009**

	Program	General and Administrative	Development	2010 Totals	2009 Totals
<b>Program services, including related salaries:</b>					
Website and public relations	\$ 57,835			\$ 57,835	\$ 144,501
Newspaper, Sourcebook/Calendar	76,817			76,817	100,823
History and archives	95,352			95,352	91,330
Publication and press	636		\$ 64	700	46,937
External affairs	110,613			110,613	136,242
Charity	20,500			20,500	46,998
Missions and stewardship	21,707		16,647	38,354	114,845
Humanitarian aid	475			475	1,046
Seminaries				-	6,000
Education and community life	14,358			14,358	14,566
Fellowship of Orthodox Stewards	602			602	34,426
Youth ministry	33,688			33,688	8,473
Pastoral life	24,238			24,238	20,531
Miscellaneous	563			563	
<b>Supporting services:</b>					
Salaries and stipends	30,978	\$ 495,649	92,934	619,561	549,393
Payroll taxes and employee benefits	53,596	107,192	17,865	178,653	173,378
Supplies and other office expenses	16,605	20,757	4,151	41,513	64,973
Telephone	6,503	8,129	1,626	16,258	40,739
Printing	66	82	16	164	8,590
Professional fees and contracted services		119,645		119,645	161,918
Travel	67,697	84,624	16,923	169,244	180,337
Meetings and conferences	2,938	3,673	735	7,346	15,007
Interest expense	27,605	34,508	6,901	69,014	76,773
Property taxes and town fees	10,069	12,586	2,517	25,172	35,041
Repairs and maintenance/building and ground:	27,877	34,848	6,969	69,694	57,387
Building utilities	9,751	12,189	2,438	24,378	27,537
Postage and shipping	1,703	2,129	426	4,258	29,846
Bad debt expense		19,126		19,126	
Publications	58	73	15	146	1,576
Insurance	12,763	15,954	3,191	31,908	25,024
Bank and credit card fees	1,468	1,835	367	3,670	3,287
Miscellaneous	4,273	5,342	1,068	10,683	27,668
Operating expenses before depreciation, amortization and professional fees	731,334	978,341	174,853	1,884,528	2,245,192
Depreciation	11,632	14,539	2,908	29,079	48,166
Amortization of closing costs	1,756	2,192	436	4,384	4,384
Settlement of litigation					250,000
Professional fees - legal		143,356		143,356	453,627
<b>Total expenses</b>	<b>\$ 744,722</b>	<b>\$ 1,138,428</b>	<b>\$ 178,197</b>	<b>\$ 2,061,347</b>	<b>\$ 3,001,369</b>

See auditor's report on supplementary information.

Schedule 1