

**THE GREEK ORTHODOX METROPOLIS OF ATLANTA
DIAKONIA CENTER, INC.**

**FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

**with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

To the Metropolis Council

The Greek Orthodox Metropolis of Atlanta Diakonia Center, Inc.

We have audited the accompanying financial statements of the Greek Orthodox Metropolis of Atlanta Diakonia Center, Inc. (the "DRC"), which comprise the statements of assets, liabilities and net assets (modified cash basis) as of December 31, 2018 and 2017, and the related statements of revenues, other support, expenses and changes in net assets (modified cash basis) and cash flows (modified cash basis) 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 the modified cash basis of accounting described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 (GAAS). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 DRC as of December 31, 2018 and 2017, and the activities and changes in its net assets and its cash flows for the years then ended in conformity with the modified cash basis of accounting described in Note 1.

Basis of Accounting

As described more fully in Note 1, the DRC's policy is to prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Smith + Howard

June 14, 2019

**THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(MODIFIED CASH BASIS)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 326,547	\$ 209,759
Inventories	33,401	60,400
Property and equipment, net	3,779,868	3,847,000
Construction in progress	<u>4,690,876</u>	<u>3,661,343</u>
 Total Assets	 <u>\$ 8,830,692</u>	 <u>\$ 7,778,502</u>

LIABILITIES AND NET ASSETS

Notes payable	<u>\$ 1,195,602</u>	<u>\$ 1,394,877</u>
 Total Liabilities	 <u>1,195,602</u>	 <u>1,394,877</u>
 Net Assets		
Without Donor Restrictions	7,332,996	6,090,635
With Donor Restrictions	<u>302,094</u>	<u>292,990</u>
 Total Net Assets	 <u>7,635,090</u>	 <u>6,383,625</u>
 Total Liabilities and Net Assets	 <u>\$ 8,830,692</u>	 <u>\$ 7,778,502</u>

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

THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
STATEMENTS OF REVENUES, OTHER SUPPORT, EXPENSES
AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>			<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support:						
Contributions	\$ 240,508	\$ 1,259,382	\$ 1,499,890	\$ 322,242	\$ 1,422,354	\$ 1,744,596
Camp and retreat ministry	281,248	-	281,248	252,086	-	252,086
Candle ministry	80,351	-	80,351	92,993	-	92,993
Net assets released from restrictions	<u>1,250,278</u>	<u>(1,250,278)</u>	<u>-</u>	<u>1,399,464</u>	<u>(1,399,464)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>1,852,385</u>	 <u>9,104</u>	 <u>1,861,489</u>	 <u>2,066,785</u>	 <u>22,890</u>	 <u>2,089,675</u>
Expenses:						
Administration and office	31,345	-	31,345	31,418	-	31,418
Camp and retreat meals	73,969	-	73,969	72,107	-	72,107
Payroll	111,035	-	111,035	101,150	-	101,150
Insurance	68,474	-	68,474	61,874	-	61,874
Utilities	78,097	-	78,097	80,177	-	80,177
Maintenance	26,195	-	26,195	26,413	-	26,413
Depreciation	125,412	-	125,412	126,323	-	126,323
Candle ministry direct expenses	34,014	-	34,014	43,299	-	43,299
Interest	<u>61,483</u>	<u>-</u>	<u>61,483</u>	<u>74,405</u>	<u>-</u>	<u>74,405</u>
 Total Expenses	 <u>610,024</u>	 <u>-</u>	 <u>610,024</u>	 <u>617,166</u>	 <u>-</u>	 <u>617,166</u>
 Increase in Net Assets	 1,242,361	 9,104	 1,251,465	 1,449,619	 22,890	 1,472,509
Net Assets:						
Beginning of year	<u>6,090,635</u>	<u>292,990</u>	<u>6,383,625</u>	<u>4,641,016</u>	<u>270,100</u>	<u>4,911,116</u>
 End of year	 <u>\$ 7,332,996</u>	 <u>\$ 302,094</u>	 <u>\$ 7,635,090</u>	 <u>\$ 6,090,635</u>	 <u>\$ 292,990</u>	 <u>\$ 6,383,625</u>

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

THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
STATEMENTS OF CASH FLOWS
(MODIFIED CASH BASIS)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Net Increase in Net Assets	\$ 1,251,465	\$ 1,472,509
Adjustments to Reconcile Net Increase in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and amortization	125,188	126,323
Contributions restricted for capital purposes	(1,259,382)	(1,422,354)
Changes in operating assets and liabilities:		
Inventories	26,999	(28,000)
Payroll tax accruals	-	(1,669)
Net Cash Provided by Operating Activities	<u>144,270</u>	<u>146,809</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment, net	(58,056)	(708)
Investment in construction in progress	<u>(1,029,533)</u>	<u>(1,324,836)</u>
Net Cash Required by Investing Activities	<u>(1,087,589)</u>	<u>(1,325,544)</u>
Cash Flows from Financing Activities:		
Contributions restricted for capital purposes	1,259,382	1,422,354
Principal payments under notes payable, net	<u>(199,275)</u>	<u>(366,160)</u>
Net Cash Provided by Financing Activities	<u>1,060,107</u>	<u>1,056,194</u>
Net Increase (Decrease) in Cash and Cash Equivalents	116,788	(122,541)
Cash and Cash Equivalents, Beginning of Year	<u>209,759</u>	<u>332,300</u>
Cash and Cash Equivalents, End of Year	<u>\$ 326,547</u>	<u>\$ 209,759</u>

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

THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Greek Orthodox Metropolis of Atlanta Diakonia Center, Inc. (the “DRC”), a not-for-profit corporation established under the Laws of the State of Georgia, operates as an integrated auxiliary of the Greek Orthodox Metropolis of Atlanta, Inc. (the “Metropolis”). Formed in 2002, the Metropolis is a exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The DRC is the only Orthodox Christian retreat center in the southeastern United States of America and has the following goals:

- To provide a Christian retreat center for the spiritual enrichment of the faithful
- To provide an environment where the faithful can commune with nature
- To provide a retreat center for all age groups and interests

Basis of Accounting and Presentation

The financial statements have been prepared on the modified cash basis of accounting. Under that basis, certain revenues and the related assets are recognized when received rather than when pledged and certain expenses are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because the DRC has not recognized pledges, most receivables and payables, and their related effects on earnings in the accompanying financial statements. During 2018, the DRC elected to implement only certain provisions of ASU 2016-14. Accordingly, the DRC has changed the presentation of their net assets from unrestricted, temporarily restricted, and permanently restricted to with and without donor restrictions. The DRC, under the modified cash basis, elected not to present a statement of functional expenses or disclose liquidity information in accordance with the ASU.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. At times, cash and cash equivalents may exceed federally insured limits. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements. The DRC has not experienced any losses in such accounts. The DRC believes it is not exposed to any significant credit risk related to cash.

THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost or market. The first-in, first-out method is used to determine the cost of inventory. Inventories consist primarily of raw materials used in making beeswax candles and cases of finished candles.

Property and Equipment

Property and equipment are stated at cost, or if acquired by gift, at the estimated fair market value at the date of the gift. Construction in progress is recorded at cost and is transferred to property and equipment accounts when useable or placed in service. Depreciation is calculated on the straight-line method over the estimated useful years of life of the assets, as follows:

Buildings and improvements	5-40
Furniture	5-10
Computers and Equipment	3-7

Presentation

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

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 DRC.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The DRC is exempt from 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.

The DRC annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the DRC takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The DRC believes it is no longer subject to tax examinations for tax years ending before December 31, 2015.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 683,018	\$ 683,018
Buildings and improvements	4,532,866	4,529,106
Furniture, equipment and computers	296,109	241,813
Vehicles	<u>37,713</u>	<u>37,713</u>
	5,549,706	5,491,650
Less accumulated depreciation	<u>(1,769,838)</u>	<u>(1,644,650)</u>
	<u><u>\$ 3,779,868</u></u>	<u><u>\$ 3,847,000</u></u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$125,188 and \$126,323, respectively.

During 2014, the DRC started a capital campaign to build the Panagia Chapel on the grounds of the DRC. Through December 31, 2018, construction in progress of \$4,669,406 was recorded in the statement of assets, liabilities and net assets (modified cash basis).

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, subject to expenditure for a specified purpose, consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Panagia Chapel Construction	\$ 6,994	\$ 22,890
Soccer field and Lodge Fund	25,000	-
DRC Village Fund	250,000	250,000
Philoxenia House Fund	<u>20,100</u>	<u>20,100</u>
	<u><u>\$ 302,094</u></u>	<u><u>\$ 292,990</u></u>

THE GREEK ORTHODOX METROPOLIS OF ATLANTA DIAKONIA CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from restrictions consist of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Panagia Chapel Construction	\$ 1,029,533	\$ 1,333,924
Mortgage Reduction Fund	<u>220,745</u>	<u>65,540</u>
	<u>\$ 1,250,278</u>	<u>\$ 1,399,464</u>

NOTE 4 – NOTES PAYABLE

In August 2013, the DRC entered into a note payable with a bank to refinance existing debt. The original principal amount was \$2,206,500 bearing interest at a fixed rate of 4.75% per annum with monthly principal and interest payments of \$17,269 to be paid over 10 years with the remainder to be paid in a balloon payment at maturity in August 2023. The note is collateralized by property and equipment owned by the DRC. The note is guaranteed by the Metropolis and contains certain covenants to provide annual financial information for which the DRC was in compliance. During 2018 and 2017, additional principal payments above and beyond the principal due were raised and used to pay down the loan balance.

During 2016, the DRC entered into a noninterest bearing note payable for \$100,000 with the hierarchical head of the Metropolis (the “Metropolitan”) to be repaid over two years. During 2018 and 2017, \$50,000, respectively, of the loan was forgiven and is included in contributions with donor restrictions for construction of the Panagia Chapel. During 2018, the DRC entered into a noninterest bearing note payable for \$71,470 to be repaid in a lump sum on or before December 31, 2020.

As of December 31, 2018, future maturities of the notes payable are as follows:

2019	\$ 226,086
2020	306,941
2021	246,902
2022	258,889
2023	<u>156,784</u>
	<u>\$ 1,195,602</u>