THE ST. PHOTIOS FOUNDATION, INC.

Financial Statements
Supplementary Information
and
Independent Auditors' Report
For the Year Ended December 31, 2018

THE ST. PHOTIOS FOUNDATION, INC.
December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The St. Photios Foundation, Inc.
St. Augustine, Florida

Report on the Financial Statements
We have audited the accompanying financial statements of The St. Photios Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE ST. PHOTIOS FOUNDATION, INC.
December 31, 2018

INDEPENDENT AUDITORS' REPORT

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The St. Photios Foundation, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lake Brown Williams CPAs and Consultants, Inc.

St. Augustine, Florida
January 25, 2019

THE ST. PHOTIOS FOUNDATION, INC.
At December 31, 2018

Statement of Financial Position

Assets	
Current assets	
Cash and cash equivalents	$57,842
Accounts receivable	14,637
Inventory, at cost	57,696
Prepaid expenses	5,845
Total current assets	136,020
Investments and restricted cash	2,452,287
Property and equipment, less accumulated depreciation of $104,997	136,213
Total assets	$2,724,520
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	$2,132
Payroll taxes liabilities	2,983
Total current liabilities	5,115
Net assets	
Without donor restrictions	267,118
With donor restrictions	2,452,287
Total net assets	2,719,405
Total liabilities and net assets	$2,724,520

THE ST. PHOTIOS FOUNDATION, INC.
For the Year Ended December 31, 2018

Statement of Activities

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$50,372		$50,372
Endowment contribution		$90,341	90,341
Merchandise and candle sales, less discounts of $1,767	376,463		376,463
Program revenue	70,667		70,667
Interest and investment income	38	185,138	185,176
Unrealized losses on investments		(322,370)	(322,370)
Net assets released from restrictions:			
Restrictions satisfied by operating expenses	45,000	(45,000)	
Restrictions satisfied by payments for capital improvements	16,979	(16,979)	
Total support and revenue	559,519	(108,870)	450,649
Expenses			
Program services	516,079		516,079
Supporting services			
Management and general	21,391		21,391
Fund raising	4,182		4,182
Total supporting services	25,573		25,573
Total expenses	541,652		541,652
Change in net assets	17,867	(108,870)	(91,003)
Net assets at beginning of year, restated	249,251	2,561,157	2,810,408
Net assets at end of year	$267,118	$2,452,287	$2,719,405

THE ST. PHOTIOS FOUNDATION, INC.
For the Year Ended December 31, 2018

Statement of Functional Expenses

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Total
Advertising			$2,030	$2,030
Clergy laity meeting expenses		$5,672		5,672
Cost of goods sold	$222,557			222,557
Credit card costs	3,640			3,640
Dues and subscriptions		658		658
Health insurance	43,840	1,846	461	46,147
Insurance (other)	3,005			3,005
Licenses and permits		61		61
Operating supplies	1,716	3,576		5,292
Payroll taxes	11,866	500	125	12,491
Postage and delivery	8,539	1,315		9,854
Program costs	43,493			43,493
Property taxes	309			309
Repairs and maintenance	4,734			4,734
Salaries	148,790	6,265	1,566	156,621
Telephone	2,095	1,047		3,142
Travel and meals	4,811	451		5,262
Utilities	6,869			6,869
Total before depreciation	506,264	21,391	4,182	531,837
Depreciation	9,815			9,815
Total functional expenses	$516,079	$21,391	$4,182	$541,652

THE ST. PHOTIOS FOUNDATION, INC.
For the Year Ended December 31, 2018

Statement of Cash Flows

Cash Flows from Operating Activities	
Decrease in net assets	($91,003)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation expense	9,815
Unrealized losses on investments	322,370
(Increase)/decrease in operating assets	
Accounts receivable	1,469
Inventory	6,180
Prepaid expenses	(1,972)
Increase/(decrease) in operating liabilities	
Accounts payable and accrued expenses	(4,560)
Payroll taxes liabilities	(1,699)
Net cash provided by operating activities	240,600
Cash Flows from Investing Activities	
Purchase of property and equipment	(16,979)
Distribution transferred from restricted funds	61,979
Investment earnings retained in restricted funds	(275,479)
Net cash used in investing activities	(230,479)
Net increase in cash and cash equivalents	10,121
Beginning cash and cash equivalents	47,721
Ending cash and cash equivalents	$57,842

Supplemental disclosures of cash flow information:

Cash paid for interest	None
Cash paid for income taxes	None

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
The St. Photios Foundation, Inc. (the "Foundation") is a nonprofit corporation located in St. Augustine, Florida. The Foundation was incorporated in the State of Florida on July 23, 1981, for charitable, educational and religious purposes, including the making of distributions to and for the benefit of the Greek Orthodox Archdiocese of North and South America and other exempt organizations. The specific purpose for which the corporation was formed is to maintain, sustain, preserve and operate the St. Photios Shrine located in St. Augustine, Florida, as a memorial to the first colonies of Greek people and persons of the Greek Orthodox faith in America.

A summary of the Foundation's significant accounting policies follows:

Basis of Presentation
The Foundation financial statements have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification No. 958, "Not-For-Profit Entities" ("ASC 958"). Under ASC 958, the Foundation reports information regarding its financial position and activities according to the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- <u>Without donor restrictions</u> – Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Trustees.

- <u>With donor restrictions</u> – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, the net asset is reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (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.

Contributions, including unconditional promises to give, are recognized as revenue in the period received and are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)
Contributions of gifts in-kind are recorded as revenue at their estimated fair value in the period received. Contributions are recorded as net assets without donor restrictions unless the donor has stipulated the period in which the assets are to be used, in which case, the contribution is recorded as net assets with donor restrictions.

Cash and Cash Equivalents
For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Effective January 1, 2013, Federal Deposit Insurance Corporation (“FDIC”) insures balances of less than $250,000 (per tax identification number) for cash accounts. At December 31, 2018, the Foundation had no uninsured cash accounts.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value of Financial Instruments
The Foundation’s financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses. The values of the Foundation’s financial instruments approximate their fair values because of the short-term nature of these instruments.

Accounts Receivable
Accounts receivable are stated at net realizable value, and consist of balances due from the sale of church supplies. The Foundation uses the allowance method to determine doubtful accounts receivable. The allowance is established based upon management’s analysis of specific accounts and other economic factors. In the opinion of management, no allowance for doubtful accounts was considered necessary at December 31, 2018, since all delinquent balances are less than three months past due.

Inventory
Inventory consists of church supplies and items held for resale in the Foundation’s gift shop and is stated at the lower of cost or net realizable value, with cost determined substantially on a first-in, first-out (FIFO) basis. Church supplies inventory consists entirely of finished goods, including: candles, incense, and holy water bottles. Gift shop inventory consists entirely of finished goods, including: icons, jewelry, cards, gifts, Christmas items, foods, books, DVDs, and other media.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Foundation capitalizes property and equipment over $1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three years for furniture and equipment to forty years for building improvements.

In conformity with accounting policies generally followed by nonprofit organizations, the value of the Foundation’s collection of frescoes and religious treasures has been included in property and equipment. However, due to their indefinite or extraordinarily long useful lives, no depreciation on these assets has been recorded.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

Income Tax Status

The Foundation has been recognized by the Internal Revenue Service as an organization that is tax exempt under Section 501(c)(3) of the Internal Revenue Code and is not generally subject to state or federal taxes on income. In addition, the IRS has determined that the Foundation is a public charitable organization as defined in Sections 509(a)(1) and 170(b)(1)(A)(i) of the Internal Revenue Code and thus the Foundation is exempt from the excise tax on investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and support, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost Allocation
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, payroll taxes and benefits, which are allocated 95% to program services, 4% to management and general and 1% to fund raising.

Recent Accounting Pronouncements
In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard introduced new requirements for how restricted net assets are characterized in the financial statements, most notably, the consolidation of temporarily and permanently restricted net assets into a single "with donor restrictions" category. The standard also required new liquidity and availability disclosures. Other requirements regarding reporting of expenses were already in the Foundation's financial reporting. The new standard was effective for the Foundation beginning on January 1, 2018. The impact of the adoption resulted in consolidation of net asset classes and enhanced disclosures.

NOTE 2 - RESTRICTIONS ON NET ASSETS

Endowment and Enhancement Funds
The Saint Photios Greek Orthodox National Shrine Endowment was established in 2000 and was created for religious, educational, charitable, scientific and related purposes; specifically, to further the causes, programs and activities advanced by the Foundation. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely, and income from the fund (interest, dividends and realized gains) is to be expended for repairs and maintenance of The St. Photios Shrine Complex and The St. Photios Shrine operations and outreach. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Trustees of the Foundation has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

NOTE 2 - RESTRICTIONS ON NET ASSETS (CONTINUED)

In accordance with SPMIFA, the Foundation 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 purpose of 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 Foundation, and (7) the investment policies of the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its program with current income. Endowment assets are invested in cash, money market funds, mutual funds and fixed income corporate bonds. The Foundation seeks to build endowment assets through additional contributions. The Foundation has a policy of appropriating for distribution each quarter no more than 75% of the endowment fund's investment income from the previous quarter, and the Foundation generally expends the endowment fund's investment income for repairs, maintenance and program services in that fiscal quarter. This spending policy allows for 25% of the interest and gains of the fund to be applied to the principal to ensure growth.

The composition of endowment net assets for these funds and the changes in endowment net assets as of December 31, 2018 follows:

Net Assets with Donor Restrictions	Endowment Fund	Enhancement Fund	Total
Net assets, January 1, 2018	$2,430,825	$130,332	$2,561,157
Contributions	90,341		90,341
Interest and investment income, net	181,240	3,898	185,138
Unrealized losses on investments	(313,306)	(9,064)	(322,370)
Amounts appropriated for expenditures	(45,000)	(16,979)	(61,979)
Net assets, December 31, 2018	$2,344,100	$108,187	$2,452,287

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets as of December 31, 2018 include cash, cash equivalents, and accounts receivable totaling $72,479. Donor-restricted amounts that are available for use within one year for repairs, maintenance and program services include the investment return that will be appropriated from the endowment fund during the year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building improvements	$60,440
Frescoes and religious treasures	69,733
Furniture and fixtures	96,726
Office equipment	14,311
	241,210
Less accumulated depreciation	(104,997)
Total	$136,213

Depreciation expense for 2018 was $9,815.

NOTE 5 - INVESTMENTS

Accounting Standards Codification Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs are quoted prices in active markets for identical investments that the Foundation has the ability to access at the measurement date.

- Level 2 – Inputs are inputs other than quoted prices within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

- Level 3 – Unobservable inputs for the investment, including estimates by partnership managers based on the best information available.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For the valuation of mutual funds, domestic fixed income investments, and publicly traded equity investments, the Foundation used quoted prices in principal active markets for identical assets as of the valuation date.

Gains and losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized and unrealized gains or losses on sales of investments are calculated on an adjusted cost basis.

NOTE 5 - INVESTMENTS (CONTINUED)

The cost of investments on hand at December 31, 2018 and their fair market values are as follows:

	Cost	Fair Market Value
Money market funds	$18,703	$18,703
Mutual funds	2,355,672	2,383,394
Corporate bonds	50,936	50,190
Total investments	$2,425,311	$2,452,287

The following table summarizes the valuation of the Foundation's fair value measurements in accordance with authoritative guidance at December 31, 2018:

	Fair Value	Level 1	Level 2	Level 3
Money market funds	$18,703	$18,703		
Mutual funds	2,383,394	2,383,394		
Corporate bonds	50,190	50,190		
Total investments	$2,452,287	$2,452,287	$0	$0

NOTE 6 - SUBSEQUENT EVENTS

In the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 25, 2019, the date which the financial statements were available to be issued.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

Prior period net adjustments totaling $51,648 have been recorded to the net assets without donor restrictions as of December 31, 2017. This includes certain assets and liabilities identified during 2018 that related to prior years. A total of $62,563 of property and equipment was purchased in prior years and recorded as repair and maintenance expenses, but should have been recorded as assets. A total of $10,915 in accumulated depreciation should have been recorded against those assets in prior years. The combination of these items has been recorded as a restatement of the beginning balance rather than in the current year revenues and expenses in order to avoid overstating the current year activities.

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS EFFECTIVE JANUARY 1, 2019

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made
In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities – Revenue Recognition*, while exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for the Foundation January 1, 2019. The Foundation is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.

ASU 2014-09, Revenue from Contracts with Customers
In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Foundation January 1, 2019.