

Your Beatitude, Your Eminences, Your Graces, Reverend Fathers, and members of the Metropolitan Council:

We would like to provide you with another update regarding various financial and accounting activities since the last meeting of the Metropolitan Council in February, 2009.

Interim Financial Report as of April 30, 2009

Attached is a copy of the Unrestricted Statement of Activities – Actual vs. Budget. For the past year we have provided a considerable amount of detail regarding the Balance Sheet, Statement of Activities, and Statement of Cash Flows. However, with this Interim Report we would like to draw your attention to exactly what is occurring relative to the budget that was passed at our last meeting.

For the four months ended April 30, 2009 we operated with a net deficit (excluding depreciation since it is a non-cash item) of \$87,455.55. Through this period we had actually budgeted a surplus of \$30,000.00. Additionally, if you include what was paid towards the principal balance of the Honesdale Bank loan, the deficit in terms of cash flow was actually \$118,497.72.

The single biggest reason for being over-budget and the resulting deficit is legal fees. We budgeted a total of \$150,000.00 for the entire year and spent \$209,366.37 in the first four months of the year. Furthermore, it should be noted that this budgeted figure of \$150,000 was anticipated to be expended ratably throughout the year. In other words, through April we were budgeted to spend only \$50,000.00. Thus we spent \$159,366.37 over what was budgeted for this four month period.

We would also like to make you aware of the fact that there was a breakdown in our internal controls during this period. It was, however, identified and corrected. In early April, a transfer of \$100,000 occurred from one of the money market accounts that contained restricted funds in order to cover the current cash flow needs. The error was identified and the money was put back into in the money market account. We believe that it was simply a misunderstanding of which money market accounts are restricted. Nonetheless, given the rather unfortunate history of moving restricted money in the past we felt that you should be made aware of the situation.

Following are also some specific comments on key variances from the budget that we would like you to be aware of:

Diocesan Assessments and Operating Income – The budget for the year assumed a \$90.00 per head figure. The census information that was used was derived from 2008 census data. At the 15th All American Council it was decided as an interim measure to keep the diocesan assessments at the same prior level of \$103 per member. The \$13 per member difference was to be a cushion in the event that certain expenses such as legal

went over budget. While the initial cushion was anticipated to be approximately \$260,000, it appears that it is trending towards an annual amount of \$143,709. Despite this downturn, it is still positive to note that we were actually \$47,903 over budgeted income through April. Following is a summary of what each diocese has paid through April, 2009.

<i>Diocese</i>	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>	<i>Totals</i>
Alaska				\$ 31,554.87	\$ 31,554.87
Albanian		\$ 3,600.00		\$ 3,600.00	\$ 7,200.00
Bulgarian			\$ 5,000.00		\$ 5,000.00
Canada			.		
Eastern PA		\$ 27,230.00	\$ 27,230.00	\$ 27,230.00	\$ 81,690.00
Midwest	\$ 45,000.00	\$ 45,500.00	\$ 45,500.00	\$ 45,500.00	\$ 181,500.00
New England	\$ 17,683.00		\$ 16,940.00	\$ 33,928.00	\$ 68,551.00
Romanian	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00		\$ 12,000.00
South	\$ 28,105.00	\$ 28,000.00	\$ 6,921.25	\$ 21,008.75	\$ 84,035.00
Washington/NY	\$ 43,968.75	\$ 43,968.75	\$ 43,968.75	\$ 43,968.75	\$ 175,875.00
West	\$ 21,708.75		\$ 43,347.50	\$ 21,673.75	\$ 86,730.00
Western PA	\$ 10,000.00	\$ 19,722.50	\$ 29,445.00		\$ 59,167.50
Stavropegial					\$ -
Fr. Alexander G	\$ 100.00				\$ 100.00
Greg Sulich			\$ 105.00		\$ 105.00
Eleana Silk			\$ 105.00		\$ 105.00
	\$ 170,565.50	\$ 172,021.25	\$ 222,562.50	\$ 228,464.12	\$ 793,613.37

Executive Salaries – The variances in Executive Salaries are due to: (1) Fr. Michael Tassos working full-time for the first three months of the year, (2) Metropolitan Jonah’s salary, and (3) the gross up in salary for SECA (Self Employment Compensation Act) taxes. Fr. Michael Tassos returned to the chancery full-time in January 2009 prior to the full adoption of the 2009 budget. The budget, which was adopted February 2009, contemplated only a part-time Treasurer. Fr. Michael reduced his salary to \$2,306 per month in March. It should be noted that Fr. Michael is no longer receiving a salary despite continuing to provide the services as Interim Treasurer. Therefore, this variance will correct itself throughout the course of 2009. Approximately \$10,000 of the variance is due to the gross-up of the officer’s salaries to cover the cost of self-employment taxes. We have been reviewing this information with Ms. Melanie Ringa of St. Vladimir’s Seminary as was requested at the last Metropolitan Council meeting and we will make some recommended changes at our next meeting in September. The remaining variance is due to the difference between the cost of the Metropolitan’s salary and what is not covered by the Diocese of New York and New Jersey.

Executive Benefits – The variance of \$6,169.39 is due to the transition of the chancery staff from the regular OCA health plan to a health savings account. In order to effect this change, the OCA had to front the cost of \$1,500 per individual for the health savings account. As the premium cost for the health savings account is lower than the prior health plan, this variance will correct itself as we go forward into 2009.

Legal – The single biggest variance comes in the area of legal expenses. Through April, 2009, the OCA has spent \$209,366.37. When the budget for the year 2009 was developed at the last meeting of the Metropolitan Council, the council approved a budgeted amount of \$150,000 towards legal. Through April, 2009 the legal fees break down as follows:

Sahn, Ward and Baker (Kondratick matter)	\$177,760.14
Eaton and Van Winkle (Nikolai matter)	14,956.17
Eaton and Van Winkle (General Counsel)	1,221.00
Ethridge Quinn McAuliffe (Koumentakos)	<u>15,429.06</u>
Total	<u>\$209,366.37</u>

Naturally, one can not predict exactly when these bills would occur however it is important to point out that while we budgeted \$150,000 towards legal this was for an entire year. On a prorated basis our budget was only \$50,000. The result has been a tremendous drain on the operating cash flow of the chancery. As you will see when you examine the amounts paid for the departments and ministries, almost all of them are significantly below budget because there was simply no money to fund the departments and ministries.

Holy Synod - There were several expense categories that were not anticipated when the 2009 budget was created that will require some adjustments to the budget. The budget for 2009 was based in part upon the 2008 actual expenses. In 2008 under Metropolitan Herman the actual expenses incurred with the administration of the Holy Synod were quite nominal. However, Metropolitan Jonah is much more active with the Holy Synod and this has resulted in additional office expenses, supplies, and telephone expenses. Furthermore, we incurred \$3,292.07 in moving expenses associated with moving Metropolitan Jonah to New York.

Holy Synod Liturgical Items - We incurred approximately \$2,500 in expenses related to the enthronement of Patriarch Kirill as well as approximately \$5,000 in liturgical items for Metropolitan Jonah that were not budgeted.

Summary - While there were a number of accounts that were over budget, the single biggest concern is in the area of legal fees. At this juncture there is no way to sustain this current level of expense. We have put off most of the department projects; however, this is only a short-term fix. If the legal expenses continue at the current pace (and there is no indication that they will not), we will be forced to make more drastic cuts in order to keep expenses in line with our income.

