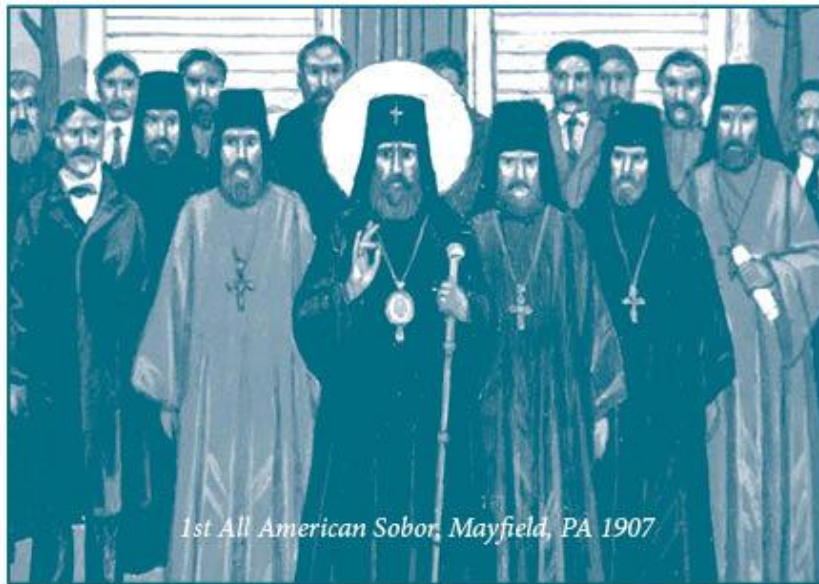


# THE 18TH ALL AMERICAN COUNCIL



## HOW TO EXPAND THE MISSION

JULY 20-24 2015 • ATLANTA, GA

### FINANCIAL REPORTS

*BRING THIS HANDBOOK TO THE AAC AND PLACE IT  
IN THE NOTEBOOK PROVIDED AT REGISTRATION*

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This report has been prepared by the Financial Office of The Orthodox Church in America for the Eighteenth All-American Council to be held in Atlanta, GA from July 20 through 24, 2015.

This report contains numerous sections dealing with the finances of the Church as well as associated institutions. The Treasurer's Report, included in the Officers' Report package contains specifics on the financial condition of the Church from both a historical and prospective standpoint.

The other reports included in this package are the financial reports of the stavropegial institutions of the Orthodox Church in America. These institutions are under the spiritual care of the Metropolitan but are governed by their own Boards of Trustees and are separately incorporated. The information is public and is presented here for informational purposes. Members of these institutions will be present at the Council and available for questions and discussion. This report should be read in its entirety prior to the beginning of the Council.

1. *OCA 2014 Financial Report; Audited Financial Statements for 2011, 2012 and 2013*
2. *St. Catherine Representation Church, Moscow, Russia 2013 to 2014 Financial Reports*
3. *St Tikhon's Monastery 2011 through 2014 Financial Reports*
4. *St Tikhon's Orthodox Theological Seminary 2011 through 2014 Audited Financial Statements*
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7. *The Monks of New Skete –Balance Sheets for 2011 through 2014*
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9. *Nuns of New Skete – Internal Financial Statements for 2011-2014*
10. *Holy Myrrhbearers Monastery – Internal Financials as of May 9, 2015, and for the years 2012-2014*

# **ORTHODOX CHURCH IN AMERICA FINANCIAL STATEMENTS**

1. Internal 2014 Balance Sheet and Statement of Activities and Treasurer's Report-  
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2. Financial Statements and Auditor's Report for the Year Ended December 31,  
2011
3. Financial Statements and Auditor's Report for the Year Ended December 31,  
2012
4. Financial Statements and Auditor's Report for the Year Ended December 31,  
2013

**Orthodox Church in America**  
**Comparative Balance Sheets**  
As of December 31, 2014 and December 31, 2013

**EXHIBIT A**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
<i>Unrestricted</i>		
Commerce Checking- Operating	\$ 57,020.00	\$ 18,037.00
Commerce Bank- Payroll	\$ 11,098.00	\$ 6,116.00
Astoria Bank- St.Sergius Chapel	\$ 18,920.00	\$ 22,687.00
Honesdale Bank Checking	\$ 15,701.00	\$ 15,701.00
Petty Cash- Chancery Office	\$ 1,463.00	\$ 1,219.00
	\$ 104,202.00	\$ 63,760.00
<i>Temporarily Restricted</i>		
Commerce Bank- All American Council	\$ 51,374.00	\$ 1,609.00
Commerce Bank - Restricted	\$ 40,260.00	\$ 84,261.00
Commerce Bank- Reserved	\$ 39,384.00	\$ 39,366.00
Honesdale Bank Money Market	\$ 744,073.00	\$ 741,193.00
	\$ 875,091.00	\$ 866,429.00
<b>Total Cash</b>	\$ 979,293.00	\$ 930,189.00
<b>Accounts Receivable</b>		
Assessments Receivable	\$ 313,240.00	\$ 146,946.00
Pledges Receivable	\$ -	\$ -
Desk Calendar Receivable	\$ -	\$ -
<b>Total Accounts Receivable</b>	\$ 313,240.00	\$ 146,946.00
<b>Other Current Assets</b>		
Bequest Receivable	\$ 576,747.00	\$ 525,025.00
Due from OCA Pension Dept	\$ 7,062.00	\$ 13,111.00
Prepaid Expense	\$ 24,856.00	\$ 23,027.00
Other	\$ -	\$ -
<b>Total Other Current Assets</b>	\$ 608,665.00	\$ 561,163.00
<b>Total Current Assets</b>	\$ 1,901,198.00	\$ 1,638,298.00
<b>Fixed Assets</b>		
Plant Fund - Real Estate	\$ 45,000.00	\$ 45,000.00
Plant Fund Building & Improve	\$ 531,783.00	\$ 531,783.00
Plant Fund Furniture & Equip	\$ 23,521.00	\$ 50,847.00
Plant Fund Auto & Garden Equip	\$ 96,171.00	\$ 64,423.00
Plant Fund Computer Equip	\$ 27,602.00	\$ 328,206.00
Plant Fund Software	\$ 33,000.00	\$ 33,000.00
Plant Fund Chapel Equip & Furn	\$ 25,000.00	\$ 25,000.00
Plant Fund Capitalized Closing	\$ -	\$ 87,682.00
Plant Fund Construction in Progress	\$ 31,878.25	\$ -
Accum Deprec Bld & Improvements	\$ (341,592.00)	\$ (328,297.00)
Accum Deprec Furn & Equip	\$ (23,521.00)	\$ (50,847.00)
Accum Deprec Auto & Garden Equi	\$ (75,006.00)	\$ (64,423.00)
Accum Deprec Computer Equip	\$ (18,950.00)	\$ (319,930.00)

Orthodox Church in America  
Comparative Balance Sheets  
As of December 31, 2014 and December 31, 2013

EXHIBIT A

	December 31, 2014	December 31, 2013
Accum Deprec Computer Software	\$ (33,000.00)	\$ (30,000.00)
Accum Deprec Chapel Equip & Fur	\$ (25,000.00)	\$ (25,000.00)
Accum Amort Capital Close Cost	\$ -	\$ (87,682.00)
Total Fixed Assets	\$ 296,886.25	\$ 259,762.00
 <b>Restricted Investments and Trusts</b>		
Fellowship of Orthodox Stewards	\$ 68,924.00	\$ 68,543.00
A & B York Trust	\$ -	\$ -
J McGuire Trust	\$ 209,563.00	\$ 209,085.00
Kavalenko Nimcrut	\$ 78,250.00	\$ 79,005.00
St. Andrew's	\$ 103,310.00	\$ 102,679.00
Honesdale Main Endowment	\$ 477,396.00	\$ 472,611.00
HVIZD Annuity	\$ 93,032.00	\$ 93,032.00
Wells Fargo - Quasi Restricted Bequests	\$ 30,099.00	\$ 28,674.00
Total Restricted Investments and Trusts	\$ 1,060,574.00	\$ 1,053,629.00
 <b>TOTAL ASSETS</b>	 <b>\$ 3,258,658.25</b>	 <b>\$ 2,951,689.00</b>
 <b>LIABILITIES &amp; EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued Expenses	\$ 88,777.00	\$ 123,978.00
Deferred Revenue	\$ 280,763.00	\$ -
Auto loan - Chase Auto Finance	\$ 22,048.00	\$ -
Accrued endowment distributions	\$ -	\$ 1,778.00
Retirement Obligation	\$ 42,778.00	\$ 54,178.00
Other (Loan Payable to Diocese of the South)	\$ 21,525.00	\$ 35,925.00
Current portion of Long term debt	\$ -	\$ -
Total Current Liabilities	\$ 455,891.00	\$ 215,859.00
 <b>Long Term Liabilities</b>		
Deferred Compensation and Annuities	\$ -	\$ -
Hvizd Annuity liability	\$ 83,315.00	\$ 83,315.00
Unitrust liability	\$ 101,006.00	\$ 101,006.00
York trust liability	\$ -	\$ -
Total Deferred compensation and annuities	\$ 184,321.00	\$ 184,321.00
Total Liabilities	\$ 640,212.00	\$ 400,180.00
 <b>Equity</b>		
Unrestricted Net Assets, 12/31/11	\$ (705,117.00)	\$ (705,117.00)
Temporarily Restricted Net Assets, 12/31/11	\$ 1,818,363.00	\$ 1,818,363.00
Permanently Restricted Net Assets, 12/31/11	\$ 1,020,429.00	\$ 1,020,429.00
Total Net Assets	\$ 2,133,675.00	\$ 2,133,675.00
Current Year Activity - 2014	\$ 66,934.25	\$ -
Current Year Activity - 2013	\$ (54,791.00)	\$ (54,794.00)

**Orthodox Church in America**  
**Comparative Balance Sheets**  
**As of December 31, 2014 and December 31, 2013**

**EXHIBIT A**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>Current Year Activity - 2012</b>	<b>\$ 472,628.00</b>	<b>\$ 472,628.00</b>
<b>Total Net Assets</b>	2,618,446.25	2,551,509.00
<b>Total Equity</b>	<b>\$ 2,618,446.25</b>	<b>\$ 2,551,509.00</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 3,258,658.25</b>	<b>\$ 2,951,689.00</b>
	\$ -	\$ -
<b>Unrestricted Surplus/(Deficit) - 2012</b>	\$ 783,039.00	\$ 783,039.00
<b>Temp Restricted Surplus/(Deficit)</b>	\$ (311,942.00)	\$ (311,942.00)
<b>Perm Restricted Surplus/(Deficit)</b>	\$ 1,531.00	\$ 1,531.00
	<b>\$ 472,628.00</b>	<b>\$ 472,628.00</b>
<b>Unrestricted Surplus/(Deficit) - 2013</b>	\$ (52,031.00)	\$ (52,031.00)
<b>Temp Restricted Surplus/(Deficit)</b>	\$ (4,049.00)	\$ (4,049.00)
<b>Perm Restricted Surplus/(Deficit)</b>	\$ 1,289.00	\$ 1,289.00
	<b>\$ (54,791.00)</b>	<b>\$ (54,791.00)</b>
<b>Unrestricted Surplus/(Deficit) - 2014</b>	\$ 64,575.00	\$ -
<b>Temp Restricted Surplus/(Deficit)</b>	\$ -	\$ -
<b>Perm Restricted Surplus/(Deficit)</b>	\$ 2,359.00	\$ -
	<b>\$ 66,934.00</b>	<b>\$ -</b>

Orthodox Church in America							EXHIBIT B - 1		
Statement of Activities vs Budget- RECAP BY DEPARTMENT							Preliminary Internal		
For the Year Ended 12/31/14									
	FINAL Budget 2014	Actual Q1 2014	Actual Q2 2014	Actual Q3 2014	Actual Q4 2014	Actual 12/31/2014	Q4-Budget 12/31/2014	Variance to Budget	
<b>Unrestricted Funds:</b>									
Assessments	\$ 1,905,742	\$ 480,203	\$ 493,944	\$ 493,089	\$ 476,707	\$ 1,943,943	\$ 1,905,742	\$ 38,201	
Contributions	\$ 10,000	\$ 140	\$ 870	\$ 2,280	\$ 52,322	\$ 55,612	\$ 10,000	\$ 45,612	
Chapel	\$ 12,000	\$ 1,825	\$ 4,554	\$ 3,036	\$ 3,841	\$ 13,256	\$ 12,000	\$ 1,256	
Continuing Education Workshop Revenue	\$ 75,000	\$ -	\$ -	\$ 3,150	\$ 16,800	\$ 19,950	\$ 75,000	\$ (55,050)	
Other	\$ 5,600	\$ 2,089	\$ 2,015	\$ 280	\$ 2,354	\$ 6,738	\$ 5,600	\$ 1,138	
<b>Total Revenues</b>	<b>\$ 2,008,342</b>	<b>\$ 484,257</b>	<b>\$ 501,383</b>	<b>\$ 501,835</b>	<b>\$ 552,024</b>	<b>\$ 2,039,499</b>	<b>\$ 2,008,342</b>	<b>\$ 31,157</b>	
<b>Expenses:</b>									
Executive Offices	\$ 450,007	\$ 110,170	\$ 117,156	\$ 114,057	\$ 115,682	\$ 457,065	\$ 450,007	\$ 7,058	
Administration	\$ 482,441	\$ 119,597	\$ 99,490	\$ 79,818	\$ 84,928	\$ 383,833	\$ 482,441	\$ (98,608)	
Metropolitan Expenses	\$ 63,345	\$ 8,877	\$ 14,654	\$ 16,646	\$ 18,668	\$ 58,845	\$ 63,345	\$ (4,500)	
Holy Synod	\$ 74,400	\$ 27,248	\$ 24,654	\$ 12,817	\$ 29,412	\$ 94,131	\$ 74,400	\$ 19,731	
Metropolitan Council	\$ 41,330	\$ 14,977	\$ -	\$ 15,636	\$ 1,668	\$ 32,281	\$ 41,330	\$ (9,049)	
Property Support	\$ 233,679	\$ 66,681	\$ 51,953	\$ 64,132	\$ 80,509	\$ 263,275	\$ 233,679	\$ 29,596	
Communications/TOC	\$ 103,735	\$ 16,829	\$ 27,542	\$ 26,107	\$ 29,001	\$ 99,479	\$ 103,735	\$ (4,256)	
External Affairs/ St Catherine's	\$ 127,901	\$ 31,599	\$ 30,243	\$ 32,822	\$ 36,807	\$ 131,471	\$ 127,901	\$ 3,570	
Archives	\$ 96,786	\$ 25,203	\$ 25,068	\$ 25,139	\$ 25,896	\$ 101,306	\$ 96,786	\$ 4,520	
St Sergius Chapel	\$ 14,850	\$ 2,839	\$ 4,585	\$ 4,311	\$ 4,005	\$ 15,740	\$ 14,850	\$ 890	
Ordination Candidate Testing	\$ 38,000	\$ 4,187	\$ 8,395	\$ 1,575	\$ 7,435	\$ 21,592	\$ 38,000	\$ (16,408)	
Office of Policy on Sexual Misconduct	\$ 116,491	\$ 21,269	\$ 22,553	\$ 19,428	\$ 22,852	\$ 86,102	\$ 116,491	\$ (30,389)	
Strategic Planning-Continuing Education	\$ 75,000	\$ -	\$ -	\$ -	\$ 18,450	\$ 18,450	\$ 75,000	\$ (56,550)	
<b>Total Operating Expenses</b>	<b>\$ 1,917,965</b>	<b>\$ 449,476</b>	<b>\$ 426,293</b>	<b>\$ 412,488</b>	<b>\$ 475,313</b>	<b>\$ 1,763,570</b>	<b>\$ 1,917,965</b>	<b>\$ (154,395)</b>	
<b>Net Operating Surplus(Deficit)</b>	<b>\$ 90,377</b>	<b>\$ 34,781</b>	<b>\$ 75,090</b>	<b>\$ 89,347</b>	<b>\$ 76,711</b>	<b>\$ 275,929</b>	<b>\$ 90,377</b>	<b>\$ 185,552</b>	
<b>"Stewards of the Orthodox Church" and Departmental Ministries:</b>									
<b>Revenue (Appeals &amp; DVP Program)</b>	<b>\$ 48,923</b>	<b>\$ 20,548</b>	<b>\$ 7,101</b>	<b>\$ 6,605</b>	<b>\$ 9,504</b>	<b>\$ 43,758</b>	<b>\$ 48,923</b>	<b>\$ (5,165)</b>	
<b>Expenses:</b>									
Administrative Expenses	\$ -	\$ 1,048	\$ -	\$ -	\$ -	\$ 1,048	\$ -	\$ 1,048	
Institutional Chaplaincy	\$ 12,275	\$ 1,642	\$ 1,500	\$ 1,802	\$ 1,900	\$ 6,844	\$ 12,275	\$ (5,431)	
Evangelization	\$ 35,625	\$ 1,500	\$ 4,097	\$ 1,750	\$ 6,807	\$ 14,154	\$ 35,625	\$ (21,471)	
Liturgical Music	\$ 14,700	\$ 2,561	\$ 2,532	\$ 4,430	\$ 3,404	\$ 12,927	\$ 14,700	\$ (1,773)	
Christian Education	\$ 10,200	\$ 2,096	\$ 3,385	\$ 3,757	\$ 8,645	\$ 17,883	\$ 10,200	\$ 7,683	
Youth and Young Adults	\$ 38,500	\$ 5,606	\$ 11,341	\$ 7,182	\$ 10,599	\$ 34,728	\$ 38,500	\$ (3,772)	
Diaconal Vocations	\$ 18,475	\$ 3,000	\$ 3,235	\$ 3,001	\$ 3,000	\$ 12,236	\$ 18,475	\$ (6,239)	
Christian Service/Humanitarian Aid	\$ 12,375	\$ 1,500	\$ 2,126	\$ 1,500	\$ 5,959	\$ 11,085	\$ 12,375	\$ (1,290)	
<b>Total Expenses</b>	<b>\$ 142,150</b>	<b>\$ 18,953</b>	<b>\$ 28,216</b>	<b>\$ 23,422</b>	<b>\$ 40,314</b>	<b>\$ 110,905</b>	<b>\$ 142,150</b>	<b>\$ (31,245)</b>	
<b>Net SOCA/Departmental Costs</b>	<b>\$ (93,227)</b>	<b>\$ 1,595</b>	<b>\$ (21,115)</b>	<b>\$ (16,817)</b>	<b>\$ (30,810)</b>	<b>\$ (67,147)</b>	<b>\$ (93,227)</b>	<b>\$ 26,080</b>	
<b>Net Operating Income</b>	<b>\$ (2,850)</b>	<b>\$ 36,376</b>	<b>\$ 53,975</b>	<b>\$ 72,530</b>	<b>\$ 45,901</b>	<b>\$ 208,782</b>	<b>\$ (2,850)</b>	<b>\$ 211,632</b>	
<b>Net Operating Income (GAAP Basis)</b>	<b>\$ (2,850)</b>	<b>\$ 36,376</b>	<b>\$ 53,975</b>	<b>\$ 72,530</b>	<b>\$ 45,901</b>	<b>\$ 208,782</b>	<b>\$ (2,850)</b>	<b>\$ 211,632</b>	
<b>Temporarily Restricted:</b>									
Revenues	\$ 20,000	\$ 5,332	\$ 2,470	\$ 31,325	\$ (16,477)	\$ 22,650	\$ 20,000	\$ 2,650	
Expenses	\$ (121,000)	\$ (35,415)	\$ (35,579)	\$ (43,273)	\$ (57,865)	\$ (172,132)	\$ (121,000)	\$ (51,132)	
<b>Net Surplus/(Deficit)</b>	<b>\$ (101,000)</b>	<b>\$ (30,083)</b>	<b>\$ (33,109)</b>	<b>\$ (11,948)</b>	<b>\$ (74,342)</b>	<b>\$ (149,482)</b>	<b>\$ (101,000)</b>	<b>\$ (48,482)</b>	
<b>Permanently Restricted:</b>									
Revenues	\$ 5,000	\$ 3,698	\$ 4,266	\$ 1,430	\$ 2,918	\$ 12,312	\$ 5,000	\$ 7,312	
Expenses	\$ (4,475)	\$ (913)	\$ (2,050)	\$ (280)	\$ (1,428)	\$ (4,671)	\$ (4,475)	\$ (196)	
<b>Net Surplus/(Deficit)</b>	<b>\$ 525</b>	<b>\$ 2,785</b>	<b>\$ 2,216</b>	<b>\$ 1,150</b>	<b>\$ 1,490</b>	<b>\$ 7,641</b>	<b>\$ 525</b>	<b>\$ 7,116</b>	
<b>Total Change in Net Assets</b>	<b>\$ (103,325)</b>	<b>\$ 9,078</b>	<b>\$ 23,082</b>	<b>\$ 61,732</b>	<b>\$ (26,951)</b>	<b>\$ 66,941</b>	<b>\$ (103,325)</b>	<b>\$ 170,266</b>	







	FINAL Budget 2014	Actual Q1 2014	Actual Q2 2014	Actual Q3 2014	Actual Q-4 2014	Q4-2014 Budget	Actual Thru 12/31/2014	Budget 12/31/2014	Variance to Budget	Q4-2013 Actual	Q4-2014 vs Q4-2013
<b>Funds Released:</b>											
- St Andrew's Endowment	\$ 400	\$ 146	\$ 949	\$ (492)	\$ -	\$ 100	\$ 603	\$ 400	\$ 203	\$ 593	\$ 10
- Main Endowment	\$ 3,675	\$ 670	\$ 838	\$ 674	\$ -	\$ 919	\$ 2,182	\$ 3,675	\$ (1,493)	\$ 2,238	\$ (56)
- FOS Endowment	\$ 400	\$ 97	\$ 263	\$ 98	\$ -	\$ 100	\$ 458	\$ 400	\$ 58	\$ 488	\$ (30)
<b>Total Funds Released</b>	\$ 4,475	\$ 913	\$ 2,050	\$ 280	\$ -	\$ 1,119	\$ 3,243	\$ 4,475	\$ (1,232)	\$ 3,319	\$ (78)
<b>Net Permanently Restricted Surplus/(Deficit)</b>	\$ 525	\$ 2,785	\$ 2,216	\$ 1,150	\$ -	\$ 131	\$ 6,151	\$ 525	\$ 5,826	\$ 2,086	\$ 4,065
<b>Total Change in Net Assets</b>	\$ (103,325)	\$ 9,078	\$ 23,082	\$ 61,732	\$ (26,951)	\$ (25,831)	\$ 66,941	\$ (103,325)	\$ 170,266	\$ (254,923)	\$ 321,864
							#VALUE!				

**The Orthodox Church in America**

Financial Statements

and

Auditor's Report

Year Ended December 31, 2011

# The Orthodox Church in America

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Independent Auditor's Report

### **Financial Statements:**

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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, 2011, 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, 2010 combined financial statements and, in our report dated October 7, 2011, 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, 2011 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lambrides, Lamos, Taylor LLP*

September 26, 2012

**The Orthodox Church in America  
Statement of Financial Position  
December 31, 2011  
With Comparative Figures at December 31, 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 744,298	\$ 464,805
Assessments and other accounts receivable	129,378	132,769
Note receivable	16,508	17,283
Bequest receivable	946,595	
Prepaid expenses	16,235	13,017
Capitalized mortgage closing costs (net)	64,666	69,050
Investments:		
Unrestricted	22,461	
Endowment fund pool	466,944	464,678
St. Andrew endowment fund	101,602	101,108
FOS endowment fund	68,014	67,731
Annuity and unitrust agreements	530,549	744,788
Land, buildings and equipment (net of accumulated depreciation)	<u>259,256</u>	<u>250,337</u>
 Total assets	 <u>\$ 3,366,506</u>	 <u>\$ 2,325,566</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 154,935	\$ 61,987
Loans payable	684,212	802,678
Deferred revenue	25,568	7,447
Annuity and unitrust agreements	<u>368,116</u>	<u>469,813</u>
 Total liabilities	 <u>1,232,831</u>	 <u>1,341,925</u>
<b>Net assets:</b>		
Unrestricted	(705,117)	(843,460)
Temporarily restricted	1,818,363	808,026
Permanently restricted	<u>1,020,429</u>	<u>1,019,075</u>
 Total net assets	 <u>2,133,675</u>	 <u>983,641</u>
 Total liabilities and net assets	 <u>\$ 3,366,506</u>	 <u>\$ 2,325,566</u>

See notes to financial statements.

**The Orthodox Church in America**  
**Statement of Activities**  
**Year Ended December 31, 2011**  
**With Summarized Comparative Figures for the Year Ended December 31, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Totals	2010 Totals
<b>Support, revenue and releases:</b>					
Contributions:					
Fellowship of Orthodox Stewards		\$ 22,519		\$ 22,519	\$ 44,453
Charity		7,865		7,865	3,592
Missions		972,359		972,359	59,198
Seminary		1,689		1,689	4,708
Publications		10,000		10,000	
General contributions	\$ 11,491			11,491	22,936
Other restricted					35
Total contributions	<u>11,491</u>	<u>1,014,432</u>		<u>1,025,923</u>	<u>134,922</u>
Revenue:					
Assessments	2,304,772			2,304,772	2,400,989
Publications	3,117			3,117	7,704
Miscellaneous	17,810			17,810	29,313
Total revenue	<u>2,325,699</u>			<u>2,325,699</u>	<u>2,438,006</u>
Total support and revenue before net assets released from restrictions	2,337,190	1,014,432		3,351,622	2,572,928
Net assets released from restrictions	<u>320,830</u>	<u>(320,830)</u>			
Total support, revenue and releases	<u>2,658,020</u>	<u>693,602</u>		<u>3,351,622</u>	<u>2,572,928</u>
<b>Expenses:</b>					
Program services	<u>1,131,749</u>			<u>1,131,749</u>	<u>731,334</u>
Supporting services:					
General administrative	1,048,706			1,048,706	978,341
Development	<u>175,720</u>			<u>175,720</u>	<u>174,853</u>
Total supporting services	<u>1,224,426</u>			<u>1,224,426</u>	<u>1,153,194</u>
Total expenses	<u>2,356,175</u>			<u>2,356,175</u>	<u>1,884,528</u>
<b>Change in net assets from operations</b>	301,845	693,602		995,447	688,400
Other changes:					
Depreciation	(21,081)			(21,081)	(29,079)
Amortization of closing costs	(4,384)			(4,384)	(4,384)
All-American Council income		313,415		313,415	
Net investment income	1,452	1,502		2,954	5,613
Change in actuarial value of unitrusts		1,818	\$ 1,354	3,172	(4,059)
Professional fees - legal	<u>(139,489)</u>			<u>(139,489)</u>	<u>(143,356)</u>
<b>Change in net assets after other changes</b>	138,343	1,010,337	1,354	1,150,034	513,135
<b>Net assets at beginning of year</b>	<u>(843,460)</u>	<u>808,026</u>	<u>1,019,075</u>	<u>983,641</u>	<u>470,506</u>
<b>Net assets at end of year</b>	<u>\$ (705,117)</u>	<u>\$ 1,818,363</u>	<u>\$ 1,020,429</u>	<u>\$ 2,133,675</u>	<u>\$ 983,641</u>

See notes to financial statements.

**The Orthodox Church in America**  
**Statement of Cash Flows**  
**Year Ended December 31, 2011**  
**With Comparative Figures for the Year Ended December 31, 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,150,034	\$ 513,135
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,081	29,079
Amortization of mortgage closing costs	4,384	4,384
Net realized and unrealized gain on investments	(434)	(531)
Termination of unitrust	115,714	
Change in actuarial valuation of annuities and unitrusts	(3,172)	4,059
(Increase) decrease in:		
Assessments and other accounts receivable	3,391	(43,901)
Note receivable	775	1,350
Prepaid expenses	(3,218)	(6,340)
Bequest receivable	(946,595)	10,000
Increase (decrease) in:		
Accounts payable and accrued expenses	92,948	(293,393)
Deferred revenue	18,121	7,447
	<u>453,029</u>	<u>225,289</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(30,000)	(8,359)
Purchase of investments	(677,419)	(274,476)
Proceeds from sale of investments	<u>652,349</u>	<u>271,080</u>
	<u>(55,070)</u>	<u>(11,755)</u>
<b>Cash flows from financing activities:</b>		
Repayment of principal	<u>(118,466)</u>	<u>(109,490)</u>
	<u>(118,466)</u>	<u>(109,490)</u>
<b>Net increase in cash</b>	279,493	104,044
<b>Cash at beginning of year</b>	<u>464,805</u>	<u>360,761</u>
<b>Cash at end of year</b>	<u>\$ 744,298</u>	<u>\$ 464,805</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest expense	<u>\$ 60,038</u>	<u>\$ 69,014</u>

See notes to financial statements.



**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2011**

**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, 2011**

**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, 2011, 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. 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.

**g. 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.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2011**

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

**h. 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.

**i. 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.

**j. 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.

**k. 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.

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2011**

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

**l. 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.

**m. 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, 2010, from which the summarized information was derived.

**n. 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.

**o. Reclassification**

Certain amounts previously reported in the financial statements for December 30, 2010 have been reclassified to facilitate comparability with the December 31, 2011 amounts with no effect on the change in net assets as previously reported.

**3. Cash and Cash Equivalents:**

Cash and cash equivalents at December 31, 2011 consist of the following:

Unrestricted operating funds	\$443,292
St. Sergius Chapel account	22,390
Reserve account	39,327
Honesdale – checking	15,701
Honesdale – restricted money market	<u>223,588</u>
	<u>\$744,298</u>

**4. Concentration of Risk:**

Concentration of risk arises from cash deposits in a bank in excess of the federally insured limit of \$250,000. Non-interest bearing transaction accounts are temporarily federally insured with no limits through December 31, 2012. There were no cash and cash equivalents in accounts other than non-interest bearing transaction accounts in excess of the federally insured limit at December 31, 2011.

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2011**

**5. Assessments and Accounts Receivable:**

Assessments and accounts receivable at December 31, 2011 are comprised of the following:

Accounts receivable	\$ 17,235
Assessments receivable	<u>112,143</u>
	<u>\$129,378</u>

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

**6. 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, 2011 is \$16,508. Recently, this priest has had trouble making the agreed upon payments and has been paying what he can, when he can. The Church has decided to allow him to continue until his financial condition improves.

**7. Bequest Receivable:**

The Church was notified during 2011 that it was a 50% beneficiary in an estate. The total funds that the Church expects to receive are approximately \$969,056, of which \$946,595 is receivable at December 31, 2011. The remaining bequest receivable is expected to be collected during 2012.

**8. 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, 2011, accumulated closing cost amortization was \$23,016, leaving a net balance of \$64,666. Total amortization expense during the year ended December 31, 2011 was \$4,384.

**9. Investments:**

Investments are reported at market value as of December 31, 2011 and consist of:

Money market funds	\$ 217,942
Certificates of deposit	190,000
U.S. government agency obligations	240,559
Fixed income securities	10,520
Other (gift annuities held by third party)	<u>530,549</u>
	<u>\$1,189,570</u>

Investment income is reported net of related expenses as follows:

Interest and dividend income	\$ 4,743
Unrealized gains	434
Investment fees	<u>(2,223)</u>
Total	<u>\$ 2,954</u>

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2011**

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

A summary of land, buildings and equipment at December 31, 2011 follows:

Land, buildings and improvements	\$ 531,783
Furniture, fixtures and equipment	455,251
Software	<u>33,000</u>
	1,020,034
Less: Accumulated depreciation	<u>(760,778)</u>
Total	<u>\$ 259,256</u>

Depreciation expense for the year ending December 31, 2011 amounted to \$21,081.

**11. Long-term Debt:**

Long-term debt at December 31, 2011 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%, with a floor of 7.00%, 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, 2011 is 7%. This mortgage is collateralized by property in Oyster Bay, New York.

\$ 677,468

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, 2011 is:

6,744

\$684,212

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

Year Ending December 31,	
2012	\$127,880
2013	131,450
2014	142,475
2015	154,424
2016	<u>127,983</u>
	<u>\$684,212</u>

Subsequent to year end, the Church made a large principal payment on the mortgage payable amounting to \$211,366.

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2011**

**12. Lease Commitments:**

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$23,586 for the year ending December 31, 2011. Estimated future minimum lease payments by year and in the aggregate under the lease consists of the following as of December 31, 2011:

<b>Year Ending December 31,</b>	
2012	\$21,960
2013	13,392
2014	13,392
2015	<u>13,392</u>
	<u>\$62,136</u>

**13. 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 \$98,765 at December 31, 2011. The present value of the remaining future liability to be distributed by the Church at December 31, 2011 is

\$ 89,686

*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 \$431,784 at December 31, 2011. 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, 2011 totals

278,430

\$368,116

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2011**

**14. 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, 2011, 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>			
Unrestricted investments	\$ 22,461	\$ 22,461	
Endowment fund pool	466,944	466,944	
St. Andrew endowment	101,602	101,602	
FOS endowment fund	68,014	68,014	
Annuity and unitrusts	<u>530,549</u>	<u>431,784</u>	\$ 98,765
	<u>\$ 1,189,570</u>	<u>\$ 1,090,805</u>	<u>\$ 98,765</u>
<b>Liabilities:</b>			
Annuity and unitrusts	<u>\$ 368,116</u>		<u>\$ 368,116</u>
	<u>\$ 368,116</u>		<u>\$ 368,116</u>

The carrying value of cash, assessments and other accounts receivable, notes receivable, bequest 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.

**15. Temporarily Restricted Net Assets:**

Temporarily restricted net assets are for the following purposes:

	<b>12/31/2010 Balance</b>	<b>Additions</b>	<b>Releases</b>	<b>12/31/2011 Balance</b>
Mission appeal	\$ 27,470	\$ 972,359	\$ 30,773	\$ 969,056
Seminary appeal	26,326	1,689	24,000	4,015
Publication reserve fund	19,556	10,000		29,556
Charity	78,320	7,865	14,835	71,350
Theological education - academic fellowship	59,300			59,300
Chaplain reserve	1,896			1,896
Uni-trust (life income) funds	155,782	4,328	2,724	157,386
General purpose endowment excess earnings	153,247			153,247
Restricted endowments excess earnings	276,302	31,860		308,162
Other restricted purposes	<u>9,827</u>	<u>303,067</u>	<u>248,499</u>	<u>64,395</u>
Total	<u>\$ 808,026</u>	<u>\$ 1,331,168</u>	<u>\$ 320,831</u>	<u>\$ 1,818,363</u>



**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2011**

**16. 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 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.

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2011**

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

Changes in endowment funds for the fiscal year ended December 31, 2011, consisted of the following:

	<u>Net Assets</u>		<u>Totals</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	
Endowment net assets, beginning of year	\$ 429,549	\$ 1,019,075	\$ 1,448,624
Interest and dividends, net of fees	700		700
Unrealized losses	801		801
Other changes	6,458		6,458
Change in value of unitrusts	<u>          </u>	<u>1,354</u>	<u>1,354</u>
Change in endowment net assets	<u>7,959</u>	<u>1,354</u>	<u>9,313</u>
Endowment net assets, end of year	<u>\$ 437,508</u>	<u>\$ 1,020,429</u>	<u>\$ 1,457,937</u>

**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 2011 amounted to \$43,212.

**18. Subsequent Events:**

Management of the Church has evaluated subsequent events through September 26, 2012, 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, 2011**

**With Summarized Comparative Figures for the Year Ended December 31, 2010**

	Program	General and Administrative	Development	2011 Totals	2010 Totals
<b>Program services, including related salaries:</b>					
Website and public relations	\$ 93,183			\$ 93,183	\$ 57,835
Newspaper, Sourcebook/Calendar	88,343			88,343	76,817
History and archives	96,312			96,312	95,352
Publication and press					700
External affairs	115,509			115,509	110,613
Charity	20,585			20,585	20,500
Missions and stewardship	41,417			41,417	38,354
Humanitarian aid					475
Seminaries	24,000			24,000	
Education and community life	23,952			23,952	14,358
Fellowship of Orthodox Stewards					602
Youth ministry	20,719			20,719	33,688
Pastoral life	36,819			36,819	24,238
Preconciliar commission	10,542			10,542	13,482
All-American Council	247,938			247,938	
Miscellaneous					563
<b>Supporting services:</b>					
Salaries and stipends	34,167	\$ 546,674	\$ 102,501	683,342	619,561
Payroll taxes and employee benefits	57,776	114,522	19,144	191,442	178,654
Supplies and other office expenses	19,838	19,569	3,914	43,321	41,374
Telephone and interest	6,098	7,622	1,524	15,244	16,257
Professional fees and contracted services		117,106	23,829	140,935	119,645
Travel	95,315	119,144	103	214,562	156,066
Meetings and conferences	411	513	6,004	6,928	7,346
Interest expense	24,015	30,019	2,516	56,550	69,014
Property taxes and town fees	10,066	12,582	8,726	31,374	25,172
Repairs and maintenance/building and grounds	34,905	43,632	2,764	81,301	69,694
Building utilities	11,054	13,818	820	25,692	24,378
Postage and shipping	3,281	4,101		7,382	4,258
Bad debt expense		25		25	19,126
Publications					146
Insurance	12,489	15,611	3,122	31,222	31,907
Bank and credit card fees	2,293	2,866	573	5,732	3,670
Miscellaneous	722	902	180	1,804	10,683
Operating expenses before depreciation, amortization and professional fees	1,131,749	1,048,706	175,720	2,356,175	1,884,528
Depreciation	8,432	10,541	2,108	21,081	29,079
Amortization of closing costs	1,754	2,192	438	4,384	4,384
Professional fees - legal		139,489		139,489	143,356
<b>Total expenses</b>	<b>\$ 1,141,935</b>	<b>\$ 1,200,928</b>	<b>\$ 178,266</b>	<b>\$ 2,521,129</b>	<b>\$ 2,061,347</b>

See auditor's report on supplementary information.

Schedule 1

**The Orthodox Church in America**

Financial Statements

and

Auditor's Report

Year Ended December 31, 2012

# The Orthodox Church in America

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## **Independent Auditor's Report**

To the Metropolitan Council  
The Orthodox Church in America

We have audited the accompanying financial statements of The Orthodox Church in America (the Church), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and of 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.

### **Auditor's 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 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Church as of December 31, 2012, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Correction of an Error**

As discussed in Note 16 to the financial statements, certain errors resulting in an overstatement of previously reported temporarily restricted net assets and a corresponding understatement of unrestricted net assets were discovered during the current year. Accordingly, an adjustment of \$223,240 was made during 2012 to reduce temporarily restricted net assets and increase unrestricted net assets as of the beginning of the year to correct the error. Our opinion is not modified with respect to that matter.

*Lambrides, Lamos, Taylor LLP*

East Northport, New York  
September 20, 2013

**The Orthodox Church in America  
Statement of Financial Position  
December 31, 2012**

**ASSETS**

Cash and cash equivalents	\$ 939,806
Assessments and other accounts receivable	201,474
Bequests receivable	564,321
Prepaid expenses	14,742
Capitalized mortgage closing costs (net)	3,075
Investments:	
Unrestricted	27,262
Endowment fund pool	471,592
St. Andrew endowment fund	102,568
FOS endowment fund	68,662
Annuity and unitrust agreements	459,686
Land, buildings and equipment (net of accumulated depreciation)	<u>243,196</u>
 Total assets	 <u><u>\$3,096,384</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts payable and accrued expenses	\$ 121,201
Loan payable	59,616
Annuity and unitrust agreements	<u>286,014</u>

Total liabilities 466,831

**Net assets:**

Unrestricted	101,172
Temporarily restricted	1,506,421
Permanently restricted	<u>1,021,960</u>

Total net assets 2,629,553

Total liabilities and net assets \$3,096,384

See notes to financial statements.



**The Orthodox Church in America**  
**Statement of Activities**  
**Year Ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>Support, revenue and releases:</b>				
Contributions:				
Fellowship of Orthodox Stewards		\$ 10,080		\$ 10,080
Charity		12,556		12,556
Missions		5,251		5,251
Seminary		1,199		1,199
General contributions	\$ 463,682	1,000		464,682
Total contributions	<u>463,682</u>	<u>30,086</u>		<u>493,768</u>
Revenue:				
Assessments	2,281,079			2,281,079
Publications	1,095			1,095
Miscellaneous	4,353			4,353
Total revenue	<u>2,286,527</u>			<u>2,286,527</u>
Total support and revenue before net assets released from restrictions	2,750,209	30,086		2,780,295
Net assets released from restrictions	192,804	(192,804)		
Total support, revenue and releases	<u>2,943,013</u>	<u>(162,718)</u>		<u>2,780,295</u>
<b>Expenses:</b>				
Program services	877,774			877,774
Supporting services:				
General administrative	1,087,151			1,087,151
Development	159,299			159,299
Total supporting services	<u>1,246,450</u>			<u>1,246,450</u>
Total expenses	<u>2,124,224</u>			<u>2,124,224</u>
<b>Change in net assets from operations</b>	818,789	(162,718)		656,071
Other changes:				
Depreciation	(29,286)			(29,286)
Amortization of closing costs	(61,591)			(61,591)
All-American Council income		68,761		68,761
Net investment income	3,251	6,261		9,512
Change in actuarial value of unitrusts	10,715	(1,006)	\$ 1,531	11,240
Professional fees - legal	(158,829)			(158,829)
<b>Change in net assets after other changes</b>	<u>583,049</u>	<u>(88,702)</u>	<u>1,531</u>	<u>495,878</u>
<b>Net assets at beginning of year,</b> <b>as previously stated</b>	(705,117)	1,818,363	1,020,429	2,133,675
Prior-period correction of an error	223,240	(223,240)		
<b>Net assets at beginning of year, adjusted</b>	<u>(481,877)</u>	<u>1,595,123</u>	<u>1,020,429</u>	<u>2,133,675</u>
<b>Net assets at end of year</b>	<u>\$ 101,172</u>	<u>\$ 1,506,421</u>	<u>\$ 1,021,960</u>	<u>\$ 2,629,553</u>

See notes to financial statements.

**The Orthodox Church in America  
Statement of Cash Flows  
Year Ended December 31, 2012**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 495,878
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,286
Amortization of mortgage closing costs	61,591
Net realized and unrealized gain on investments	(2,951)
Change in actuarial valuation of annuities and unitrusts	(11,240)
(Increase) decrease in:	
Assessments and other accounts receivable	(72,096)
Note receivable	16,508
Prepaid expenses	1,493
Bequests receivable	382,274
Increase (decrease) in:	
Accounts payable and accrued expenses	(33,734)
Deferred revenue	<u>(25,568)</u>
Net cash provided by operating activities	<u>841,441</u>
<b>Cash flows from investing activities:</b>	
Purchase of equipment	(13,226)
Purchase of investments	(618,474)
Proceeds from sale of investments	<u>610,363</u>
Net cash used by investing activities	<u>(21,337)</u>
<b>Cash flows from financing activities:</b>	
Repayment of principal	<u>(624,596)</u>
Net cash used by financing activities	<u>(624,596)</u>
<b>Net increase in cash</b>	195,508
<b>Cash at beginning of year</b>	<u>744,298</u>
<b>Cash at end of year</b>	<u>\$ 939,806</u>
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid for interest expense	<u>\$ 15,258</u>

See notes to financial statements.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2012**

**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. Unrestricted net assets also include “underwater” endowments and funds borrowed from endowments for use in operations.
- Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes and programs, those with time restrictions or those not currently available for use until commitments regarding their use have been fulfilled. Temporarily restricted net assets also include contributions and pledges receivable and accumulated endowment earnings that are restricted by the donor for a particular purpose or whose use is unrestricted but have not yet been appropriated for expenditure.

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2012**

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

- Permanently restricted net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. 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. Support and Revenue**

Contributions are recorded when made, which may be when cash is received, or when unconditional promises are made. Contributions restricted by the donor for a specific purpose are recorded as support in the temporarily restricted or permanently restricted class of net assets (depending on the nature of the restrictions) until funds have been expended by the Church for the purposes specified. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Bequests are recorded as income at the time the organization has an established right to the bequest and the proceeds are measurable. Donated assets are recorded at their fair market value on the date of donation.

Assessment income is recorded when earned, which is the period for which the assessments are for. Investment income is recorded in the month it is earned. Other income is recorded when earned.

**d. Cash and Cash Equivalents**

The Church considers all highly liquid instruments with maturities less than three months to be cash and cash equivalents. Certain items meet the definition of cash equivalents but are part of a larger pool of investments and are classified as investments in the statement of financial position. From time to time, these balances may exceed federal deposit insurance limits; however, the Church has not experienced any losses on these accounts and management does not believe it is exposed to any significant risk.

**e. Assessments and Other Accounts Receivable**

Assessments and other accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are expected to be collected within one year, and are therefore recorded at net realizable value. 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, 2012, there is no allowance.

**f. Investments**

Investments consist of equity and debt securities with readily determinable fair market values 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, 2012**

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

**g. Investment Pools**

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.

**h. 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. The Church's policy is to capitalize fixed asset expenditures of \$3,000 or more. 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.

**i. 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 \$95,970 at December 31, 2012. The present value of the remaining future liability to be distributed by the Church at December 31, 2012 is \$86,816.

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2012**

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

**i. Annuity and Unitrust Agreements** (Continued)

*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 \$363,716 at December 31, 2012. 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, 2012 totals \$199,198.

**j. 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.

**k. Uncertain Tax Positions**

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2012, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

**l. Use of Estimates**

The Church uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**3. Cash and Cash Equivalents:**

Cash and cash equivalents at December 31, 2012 consist of the following:

Unrestricted operating funds	\$ 81,228
St. Sergius Chapel account	23,010
Reserve account	39,346
Funds set aside for satisfaction donor restrictions	<u>796,222</u>
	<u>\$939,806</u>

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2012**

**4. Assessments and Accounts Receivable:**

Assessments and accounts receivable at December 31, 2012 are comprised of the following:

Accounts receivable	\$ 26,792
Assessments receivable	<u>174,682</u>
	<u>\$201,474</u>

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

**5. Bequests Receivable:**

The Church is a beneficiary in three estates for which it was notified of prior to December 31, 2012. The total remaining funds that the Church expects to receive at December 31, 2012 is \$564,321. The remaining bequests receivable are expected to be collected during 2013.

**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. A significant portion of the remaining loan principal was repaid during 2012, therefore an accelerated amount of closing cost amortization was recognized in 2012. As of December 31, 2012, accumulated closing cost amortization was \$84,607, leaving a net balance of \$3,075. Total amortization expense during the year ended December 31, 2012 was \$61,591.

**7. Investments:**

Investments are recorded at fair market value, and at December 31, 2012 consist of:

Money market funds	\$ 267,965
Certificates of deposit	401,090
U.S. government agency obligations	148,264
U.S. government securities	23,189
Municipal bonds	5,457
Corporate bonds	83,439
Mutual funds	102,723
Corporate stocks	1,673
Annuity investments	<u>95,970</u>
	<u>\$1,129,770</u>

Investment income is reported net of related expenses as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Interest and dividends	\$ 1,156	\$ 9,481	\$ 10,637
Realized gains (losses)	437	(108)	329
Unrealized gains(losses)	1,658	964	2,622
Investment fees	<u>          </u>	<u>(4,076)</u>	<u>(4,076)</u>
Total	<u>\$ 3,251</u>	<u>\$ 6,261</u>	<u>\$ 9,512</u>

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2012**

**7. Investments:** (Continued)

Risks and Uncertainties Related to Investments

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Church investments and total net assets balance could fluctuate materially.

The Church maintains custody accounts with various custodians. Although the Church monitors the custodians and believes that they are appropriate custodians, there is no guarantee that the custodians, or any other custodians that the Church may use from time to time, will not become insolvent. The Church believes that, in the event of the insolvency of its custodian, some of the Church's assets may be unavailable for a period of time, but that it would ultimately have full recovery of its assets.

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

A summary of land, buildings and equipment at December 31, 2012 follows:

Land, buildings and improvements	\$ 531,783
Furniture, fixtures and equipment	468,476
Software	<u>33,000</u>
	1,033,259
Less: Accumulated depreciation	<u>(790,063)</u>
Total	<u>\$ 243,196</u>

Depreciation expense for the year ending December 31, 2012 amounted to \$29,286.

**9. Loan Payable:**

Loan payable at December 31, 2012 consisted of the following:

\$1,700,000 mortgage loan payable, collateralized by property in Oyster Bay, New York, and maturing in September 2026. The interest rate as of December 31, 2012 is 7%.

\$59,616

During 2012, the Church made large principal payments on the loan totaling \$624,596. The remaining principal balance at December 31, 2012 of \$59,616 was subsequently paid in full in May of 2013.



**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2012**

**10. Lease Commitments:**

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$22,212 for the year ending December 31, 2012. Estimated future minimum lease payments by year and in the aggregate under the lease consists of the following as of December 31, 2012:

<b>Year Ending December 31,</b>	
2013	\$21,324
2014	21,324
2015	14,628
2016	<u>7,932</u>
	<u>\$65,208</u>

**11. 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 Church contributes an amount equal to 6% of eligible employee's gross wages. The retirement benefit costs charged to expense in 2012 amounted to \$41,600.

**12. Fair Value Measurements:**

The Church uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Church measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

	<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>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Investments				
Money market funds	\$ 267,965	\$ 267,965		
Mutual funds:				
Fixed income funds	102,723	102,723		
Corporate stocks	1,673	1,673		
Corporate bonds	83,439	83,439		
Negotiable certificates of deposit	140,402	140,402		
Certificates of deposit	260,688			\$ 260,688
U.S. Government agency obligations	148,264	148,264		
U.S. Government securities	23,189	23,189		
Municipal bonds	5,457	5,457		
Annuity investments	<u>95,970</u>		<u>\$ 95,970</u>	
Total investments	<u>1,129,770</u>	<u>773,112</u>	<u>95,970</u>	<u>260,688</u>
Total	<u>\$ 1,129,770</u>	<u>\$ 773,112</u>	<u>\$ 95,970</u>	<u>\$ 260,688</u>

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2012**

**12. Fair Value Measurements:** (Continued)

Valuation techniques:

Fair values for money market funds, mutual funds, corporate stocks, corporate bonds, negotiable certificates of deposit, U.S. Government agency obligations, U.S. Government securities, municipal bonds and annuity investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the certificates of deposit are based on yields for securities of comparable maturity, quality, and type as obtained from market makers.

The following table provides further details of the Level 3 fair value measurements:

	<b>Certificates of Deposit</b>
Balance, December 31, 2011	\$ 190,000
Purchases and sales:	
Purchases	70,688
Sales	-
Balance, December 31, 2012	<u>\$ 260,688</u>

**13. Temporarily Restricted Net Assets:**

Temporarily restricted net assets are for the following purposes:

	<b>12/31/2011 Balance</b>	<b>Additions and Other Changes</b>	<b>Releases</b>	<b>12/31/2012 Balance</b>
Mission appeal	\$ 969,056	\$ 5,251	\$ 44,751	\$ 929,556
Seminary appeal	4,015	1,199	5,214	
Publication reserve fund	29,556			29,556
Charity	71,350	12,566	10,000	73,916
Theological education - academic fellowship	59,300			59,300
Chaplain reserve	1,896			1,896
Uni-trust (life income) funds	156,145	1,447		157,592
General purpose endowment excess earnings	77,515	1,610		79,125
Restricted endowments excess earnings	139,376	3,894	858	142,412
Other restricted purposes	86,914	78,135	131,981	33,068
Total	<u>\$ 1,595,123</u>	<u>\$ 104,102</u>	<u>\$ 192,804</u>	<u>\$ 1,506,421</u>

**14. Permanently Restricted Net Assets:**

Permanently restricted net assets consist of the following at December 31, 2012:

Donor restricted endowments:	
General purposes	\$ 224,268
Restricted purposes	775,762
Permanently restricted charitable remainder unitrust	21,930
	<u>\$1,021,960</u>

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2012**

**15. 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 as specified in the *Summary of Significant Accounting Policies* outlined in these notes.

The Church classifies as permanently restricted net assets (a) the original value of gifts donated to the donor-restricted permanent endowment, (b) the original value of subsequent gifts to the donor-restricted permanent endowment, and (c) accumulations to the permanent 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 that is not classified in permanently restricted net assets is classified as temporarily 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

*Funds with Deficiencies*

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 that are reported in unrestricted net assets were \$487,418 as of December 31, 2012. \$401,500 of these deficiencies are the result of borrowing from the endowment assets to fund operations, and the remaining \$85,918 resulted from realized losses that occurred shortly after the market downturn in 2008.

*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 90%) to achieve its long-term return and growth objectives within prudent risk constraints.

**The Orthodox Church in America  
Notes to the Financial Statements  
December 31, 2012**

**15. Endowments:** (Continued)

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, 2012, consisted of the following:

Endowment net asset composition by type of fund as of December 31, 2012:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted endowments for:				
General purposes	\$ (139,143)	\$ 79,125	\$ 224,268	\$ 164,250
Restricted purposes	<u>(348,275)</u>	<u>142,412</u>	<u>775,762</u>	<u>569,899</u>
Total endowment funds	<u>\$ (487,418)</u>	<u>\$ 221,537</u>	<u>\$ 1,000,030</u>	<u>\$ 734,149</u>

Changes in endowment net assets for the year ended December 31, 2012:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, January 1, 2012	\$ (709,649)	\$ 437,508	\$ 1,000,030	\$ 727,889
Prior-period restatement, (see Note 16)	<u>220,678</u>	<u>(220,678)</u>	_____	_____
Endowment net assets, January 1, 2012 as restated	<u>\$ (488,971)</u>	<u>\$ 216,830</u>	<u>\$ 1,000,030</u>	<u>\$ 727,889</u>
Investment return:				
Interest and dividend income (net of fees)		5,405		5,405
Realized and unrealized gains and losses	_____	<u>856</u>	_____	<u>856</u>
Total investment return	_____	<u>6,261</u>	_____	<u>6,261</u>
Other changes:				
Change in underwater endowmen	<u>1,553</u>	<u>(1,553)</u>	_____	_____
Endowment net assets, December 31, 2012	<u>\$ (487,418)</u>	<u>\$ 221,538</u>	<u>\$ 1,000,030</u>	<u>\$ 734,150</u>

**The Orthodox Church in America**  
**Notes to the Financial Statements**  
**December 31, 2012**

**16. Prior Period Correction of an Error:**

Certain errors resulting in an overstatement of previously reported temporarily restricted net assets and a corresponding understatement of unrestricted net assets were discovered during the current year. Accordingly, an adjustment of \$223,240 was made during 2012 to reduce temporarily restricted net assets and increase unrestricted net assets as of the beginning of the year to correct the error.

**17. Financial Condition:**

The Church has not consistently maintained the necessary amounts of cash or investments to fund all donor-restricted projects. As of December 31, 2012, the Church has outstanding borrowing from the endowment pool investments totaling \$401,500 to fund operations, and has an additional shortfall of liquid cash and investments to fund remaining temporarily restricted net assets amounting to \$104,630.

**18. Subsequent Events:**

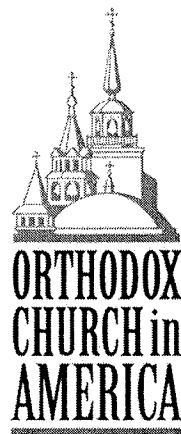
Management of the Church evaluated subsequent events through September 20, 2013, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. Management discovered no subsequent events requiring disclosure.

**The Orthodox Church in America  
Supplemental Schedule of Expenses  
Year Ended December 31, 2012**

	<b>Program</b>	<b>General and</b>		
		<b>Administrative</b>	<b>Development</b>	<b>Totals</b>
<b>Program services, including related salaries:</b>				
Website and public relations	\$ 78,169			\$ 78,169
Newspaper, Sourcebook/Calendar	77,224			77,224
History and archives	97,877			97,877
External affairs	101,834			101,834
Charity	1,252			1,252
Missions and stewardship	101,044			101,044
Seminaries	6,000			6,000
Education and community life	20,440			20,440
Youth ministry	24,611			24,611
Pastoral life	23,013			23,013
All-American Council	145,770			145,770
<b>Supporting services:</b>				
Salaries and stipends	29,952	\$ 479,232	\$ 89,856	599,040
Payroll taxes and employee benefits	9,998	159,975	29,995	199,968
Supplies and other office expenses	15,973	16,855	3,293	36,121
Telephone and interest	7,495	9,369	1,874	18,738
Professional fees and contracted services		175,014		175,014
Travel	69,730	87,162	17,432	174,324
Meetings and conferences	2,263	2,828	566	5,657
Interest expense	6,103	7,629	1,526	15,258
Property taxes and town fees	11,974	14,968	2,994	29,936
Repairs and maintenance/building and ground:	18,094	22,618	4,524	45,236
Building utilities	10,578	13,222	2,644	26,444
Postage and shipping	1,752	2,191	438	4,381
Bad debt expense - assessments and notes receivable		26,126		26,126
Bad debt expense - bequests receivable		39,500		39,500
Insurance	13,762	17,202	3,440	34,404
Bank and credit card fees	2,303	3,839	576	6,718
Miscellaneous	563	9,421	141	10,125
Operating expenses before depreciation, amortization and professional fees	877,774	1,087,151	159,299	2,124,224
Depreciation	11,714	14,643	2,929	29,286
Amortization of closing costs	24,637	30,795	6,159	61,591
Professional fees - legal		158,829		158,829
Total expenses	<u>\$ 914,125</u>	<u>\$ 1,291,418</u>	<u>\$ 168,387</u>	<u>\$ 2,373,930</u>

See auditor's report on supplementary information.

Schedule 1



THE ORTHODOX CHURCH IN AMERICA

Financial Statements  
With Independent Auditors' Report

December 31, 2013 and 2012

# THE ORTHODOX CHURCH IN AMERICA

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## **INDEPENDENT AUDITORS' REPORT**

Metropolitan Council  
The Orthodox Church in America  
Syosset, New York

We have audited the accompanying financial statements of The Orthodox Church in America, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 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 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 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 organization'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.

Metropolitan Council  
The Orthodox Church in America  
Syosset, New York

***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, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

The financial statements of The Orthodox Church in America as of December 31, 2012, were audited by other auditors whose report dated September 20, 2013, expressed an unmodified opinion on those statements.

As discussed in Note 15 to the financial statements, misstatements of previously reported assets, liabilities and net assets as of December 31, 2012, were identified during the current year. Accordingly, a retrospective adjustment has been made to assets, liabilities and net assets. Our opinion is not modified with respect to this matter.

*Capin Crouse LLP*

New York, New York  
August 21, 2014

# THE ORTHODOX CHURCH IN AMERICA

## Statements of Financial Position

	December 31,	
	2013	2012
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 840,095	\$ 849,712
Assessments and other accounts receivable, net	160,057	201,474
Bequests receivable	525,025	564,321
Prepaid expenses	23,027	14,742
Capitalized mortgage closing costs, net	-	3,075
Investments:		
Unrestricted	28,674	27,262
Endowment pool fund	472,611	471,592
St. Andrew endowment fund	102,679	102,568
FOS endowment fund	68,543	68,662
Annuity and unitrust agreements	381,122	459,686
Cash restricted for endowment	90,094	90,094
Property and equipment, net	259,762	288,196
<b>Total Assets</b>	<b>\$ 2,951,689</b>	<b>\$ 3,141,384</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 124,303	\$ 121,201
Loans payable	35,598	59,616
Retirement obligation	54,178	68,250
Annuity and unitrust agreements	186,098	286,014
<b>Total liabilities</b>	<b>400,177</b>	<b>535,081</b>
Net assets:		
Unrestricted		
Undesignated (deficit)	(233,871)	(150,658)
Invested in property and equipment	259,762	228,580
<b>Total unrestricted</b>	<b>25,891</b>	<b>77,922</b>
Temporarily restricted	1,502,372	1,506,421
Permanently restricted	1,023,249	1,021,960
<b>Total net assets</b>	<b>2,551,512</b>	<b>2,606,303</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,951,689</b>	<b>\$ 3,141,384</b>

See notes to financial statements

# THE ORTHODOX CHURCH IN AMERICA

## Statements of Activities

Year Ended December 31,

	2013				2012				
	Temporarily		Permanently		Temporarily		Permanently		
	Unrestricted	Restricted	Restricted	Total	Restricted	Total	Restricted	Total	
<b>OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS:</b>									
Support:									
General contributions	\$ 127,572	\$ 5,520	\$ -	\$ 133,092	\$ 463,682	\$ 1,000	\$ -	\$ 464,682	
Fellowship of Orthodox Stewards	-	60,435	-	60,435	-	10,080	-	10,080	
Missions	-	27,618	-	27,618	-	5,251	-	5,251	
Seminary	-	27,144	-	27,144	-	1,199	-	1,199	
Charity	-	1,487	-	1,487	-	12,556	-	12,556	
<b>Total support</b>	<b>127,572</b>	<b>122,204</b>	<b>-</b>	<b>249,776</b>	<b>463,682</b>	<b>30,086</b>	<b>-</b>	<b>493,768</b>	
<b>Revenue:</b>									
Assessments	2,001,762	-	-	2,001,762	2,281,079	-	-	2,281,079	
Publications	2,390	-	-	2,390	1,095	-	-	1,095	
Other revenue	66,195	-	-	66,195	4,353	-	-	4,353	
<b>Total revenue</b>	<b>2,070,347</b>	<b>-</b>	<b>-</b>	<b>2,070,347</b>	<b>2,286,527</b>	<b>-</b>	<b>-</b>	<b>2,286,527</b>	
<b>Reclassifications:</b>									
Satisfaction of restrictions	129,825	(129,825)	-	-	192,804	(192,804)	-	-	
<b>Total Operating Support, Revenue and and Reclassifications</b>	<b>2,327,744</b>	<b>(7,621)</b>	<b>-</b>	<b>2,320,123</b>	<b>2,943,013</b>	<b>(162,718)</b>	<b>-</b>	<b>2,780,295</b>	

(continued)

See notes to financial statements

# THE ORTHODOX CHURCH IN AMERICA

## Statements of Activities (continued)

	Year Ended December 31,							
	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING EXPENSES:</b>								
Program services	905,682	-	-	905,682	914,125	-	-	914,125
Supporting activities:								
General and administrative	1,312,494	-	-	1,312,494	1,291,418	-	-	1,291,418
Development	183,511	-	-	183,511	168,387	-	-	168,387
Total supporting services	1,496,005	-	-	1,496,005	1,459,805	-	-	1,459,805
Total Operating Expenses	2,401,687	-	-	2,401,687	2,373,930	-	-	2,373,930
Change in Net Assets From Operations	(73,943)	(7,621)	-	(81,564)	569,083	(162,718)	-	406,365
<b>OTHER CHANGES IN NET ASSETS:</b>								
All-American council income	-	-	-	-	-	68,761	-	68,761
Net investment income	6,075	322	-	6,397	3,251	6,261	-	9,512
Change in actuarial value of annuities and unitrusts	15,837	3,250	1,289	20,376	10,715	(1,006)	1,531	11,240
Change in Net Assets	(52,031)	(4,049)	1,289	(54,791)	583,049	(88,702)	1,531	495,878
Net Assets, Beginning of Year (as previously stated)	77,922	1,506,421	1,021,960	2,606,303	(705,117)	1,818,363	1,020,429	2,133,675
Prior-period adjustments (See Note 15)	-	-	-	-	199,990	(223,240)	-	(23,250)
Net Assets, Beginning of Year (adjusted)	77,922	1,506,421	1,021,960	2,606,303	(505,127)	1,595,123	1,020,429	2,110,425
Net Assets, End of Year	\$ 25,891	\$ 1,502,372	\$ 1,023,249	\$ 2,551,512	\$ 77,922	\$ 1,506,421	\$ 1,021,960	\$ 2,606,303

See notes to financial statements

# THE ORTHODOX CHURCH IN AMERICA

## Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (54,791)	\$ 495,878
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,434	29,286
Amortization of mortgage closing costs	3,075	61,591
Net realized and unrealized (gain) loss on investments	4,699	(2,951)
Assumption of loan payable	42,798	-
Change in actuarial value of annuities and unitrusts	(20,376)	(11,240)
Changes in:		
Assessments and other accounts receivable, net	41,417	(72,096)
Note receivable	-	16,508
Bequests receivable	39,296	382,274
Prepaid expenses	(8,285)	1,493
Accounts payable and accrued expenses	3,102	(33,734)
Retirement obligation	(14,072)	-
Deferred revenue	-	(25,568)
Net Cash Provided by Operating Activities	65,297	841,441
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	369,471	610,363
Purchase of investments	(377,569)	(618,474)
Purchase of property and equipment	-	(13,226)
Net Cash Used by Investing Activities	(8,098)	(21,337)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of loan principal	(66,816)	(624,596)
Net Cash Used by Financing Activities	(66,816)	(624,596)
Change in Cash and Cash Equivalents	(9,617)	195,508
Cash and Cash Equivalents, Beginning of Year	849,712	654,204
Cash and Cash Equivalents, End of Year	\$ 840,095	\$ 849,712
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest on debt - none capitalized	\$ 1,285	\$ 15,258

See notes to financial statements

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

### 1. NATURE OF 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.

The Church 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. The Church's revenues are derived primarily from contributions and assessments.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### BASIS OF ACCOUNTING

The financial statements of The Church are presented on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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 the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Church considers all highly liquid instruments with maturities less than three months to be cash and cash equivalents. Certain items meet the definition of cash equivalents but are part of a larger pool of investments and are classified as investments in the statements of financial position. While at times cash balances may exceed federally insured (FDIC) limits, the Church has not experienced any losses in such accounts. Management does not believe it is exposed to any significant risk on these accounts.

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE

Assessments and other accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are expected to be collected within one year, and are therefore recorded at net realizable value. 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.

#### INVESTMENTS

Investments are reported at fair value with gains and losses included in the statements of activities in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Donated investments are reflected as contributions at their fair market values at date of receipt. Adjustments to the carrying value of investments are reported in statements of activities as a component of net investment income.

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.

#### DISCLOSURES ABOUT FAIR VALUE OF ASSETS

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; Level 3 inputs have the lowest priority. The Church uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

#### PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. The Church capitalizes assets with a cost basis (or fair value for donated assets) of \$3,000 or greater, and expenditures for repairs and maintenance are expensed when incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported as income. Depreciation is recorded on the straight-line basis over the following estimated useful lives:

Building and improvements	40 years
Furniture, fixtures, and equipment	3 to 10 years
Software	3 years



# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 \$93,032 and \$95,970 at December 31, 2013 and 2012, respectively. The present value of the remaining future liability to be distributed by the Church at December 31, 2013 and 2012, is \$83,314 and \$86,816, respectively.

#### 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 temporarily or permanently restricted contributions 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 \$288,090 and \$363,716 at December 31, 2013 and 2012, respectively. 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 \$102,784 and \$199,198 at December 31, 2013 and 2012, respectively.

#### CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets as follows:

*Unrestricted net assets* are those which include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Church to utilize the funds in furtherance of its mission. Unrestricted net assets also include resources invested in property and equipment, "underwater" endowments and funds borrowed from endowments for use in operations.

*Temporarily restricted net assets* carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporarily restricted net assets also include accumulated endowment earnings that are restricted by the donor for a particular purpose or whose use is unrestricted but have not yet been appropriated for expenditure. 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 Financial Statements

December 31, 2013 and 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CLASSES OF NET ASSETS, continued

*Permanently restricted net assets* are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. 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.

#### SUPPORT, REVENUE, RECLASSIFICATIONS AND EXPENSES

The Church recognizes gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated amounts. Temporarily restricted net assets are reclassified to unrestricted net assets and recognized in the statements of activities as satisfaction of restrictions when a stipulated time restriction ends or purpose restriction is satisfied.

The Church recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church recognizes expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Bequests are recorded as support at the time the Church has an established right to the bequest and the proceeds are measurable.

Assessment income is recorded when earned, which is the period for which the assessments relate. Investment income is recorded in the period it is earned. Other income is recorded when earned.

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated, based on management's estimate, among the program services and supporting activities benefited. The Church incurred no joint costs for the years ending December 31, 2013 and 2012, respectively.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are reported in expenses in the statements of activities. As of December 31, 2013 and 2012, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

#### RECLASSIFICATIONS

Certain reclassifications were made to the 2012 financial statements in order to conform to the 2013 presentation. These reclassifications had no effect on the change in net assets.

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

The Financial Accounting Standards Board (FASB) recently issued an accounting standards update to the *Statement of Cash Flows—Overall—Other Presentation Matters* topic of the Accounting Standards Codification (ASC). The amendments in this update require classification of cash receipts from the sale of donated financial assets (e.g., debt or equity instruments) by a not-for-profit that, upon receipt of the donated financial assets, are directed for sale without any limitations and are converted nearly immediately into cash as (1) operating cash flows, or (2) if the donor has restricted the use of the securities to a long-term purpose, as financing cash flows. The amendments require classification as investing cash flows of all other cash receipts resulting from the sale of debt and equity securities not meeting the foregoing conditions for classification within operating or financing cash flows. The amendments are effective for fiscal years beginning after June 15, 2013, with early adoption permitted. The Church has early adopted this update.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following:

	December 31,	
	2013	2012
Funds set aside for satisfaction of donor restrictions	\$ 735,360	\$ 706,128
Unrestricted operating funds	42,682	81,228
Reserve account	39,366	39,346
St. Sergius Chapel account	22,687	23,010
	\$ 840,095	\$ 849,712

4. ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE:

Assessments and other accounts receivable consist of the following:

	December 31,	
	2013	2012
Assessments receivable	\$ 146,193	\$ 180,172
Other accounts receivable	53,839	31,221
	200,032	211,393
Less: allowance for doubtful accounts	(39,975)	(9,919)
	\$ 160,057	\$ 201,474

5. BEQUESTS RECEIVABLE:

The Church is a beneficiary in estates for which it was notified of prior to December 31, 2013. The total remaining funds that the Church expects to receive at December 31, 2013 and 2012, is \$525,025 and \$564,321, respectively. The remaining bequests receivable are expected to be collected during 2014.

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

6. INVESTMENTS:

Investments at fair value measured on a recurring basis consist of the following:

	December 31, 2013			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 298,044	\$ 298,044	\$ -	\$ -
Certificates of deposit	190,000	-	190,000	-
Negotiable certificates of deposit	189,774	-	189,774	-
U.S. Government agency obligations	120,779	120,779	-	-
Fixed income mutual funds	103,201	103,201	-	-
Annuity investments	93,032	-	93,032	-
Corporate bonds:				
BAA1 credit rating	17,685	-	17,685	-
A1 credit rating	7,851	-	7,851	-
AA3 credit rating	4,904	-	4,904	-
A2 credit rating	3,412	-	3,412	-
AA2 credit rating	2,490	-	2,490	-
A3 credit rating	2,294	-	2,294	-
Total corporate bonds	38,636	-	38,636	-
U.S. Government securities	13,224	13,224	-	-
Municipal bonds	5,196	5,196	-	-
Corporate stocks - consumer goods	1,743	1,743	-	-
	\$ 1,053,629	\$ 542,187	\$ 511,442	\$ -

The following provides further detail of the Level 3 fair value measurements for certificates of deposit:

Balance, December 31, 2012	\$ 260,688
Purchases and sales:	
Purchases	-
Sales	(70,688)
Transfers out of Level 3 (a)	(190,000)
Balance, December 31, 2013	\$ -

- (a) The Church's policy is to recognize transfers in and transfers out as of the end of the reporting period. Transfers from Level 3 to Level 2 occurred to better reflect the method of evaluation of fair value.

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

6. INVESTMENTS, continued:

	December 31, 2012			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 267,965	\$ 267,965	\$ -	\$ -
Certificates of deposit	260,688	-	-	260,688
U.S. Government agency obligations	148,264	148,264	-	-
Negotiable certificates of deposit	140,402	140,402	-	-
Fixed income mutual funds	102,723	102,723	-	-
Annuity investments	95,970	-	95,970	-
Corporate bonds:				
BAA1	28,337	-	28,337	-
A1	22,639	-	22,639	-
A3	14,642	-	14,642	-
AA3	8,961	-	8,961	-
A2	3,619	-	3,619	-
AA2	2,794	-	2,794	-
BAA2	2,447	-	2,447	-
Total corporate bonds	83,439	-	83,439	-
U.S. Government securities	23,189	23,189	-	-
Municipal bonds	5,457	5,457	-	-
Corporate stocks - consumer goods	1,673	1,673	-	-
	\$ 1,129,770	\$ 689,673	\$ 179,409	\$ 260,688

The following provides further detail of the Level 3 fair value measurements for certificates of deposit:

Balance, December 31, 2011	\$ 190,000
Purchases and sales:	
Purchases	70,688
Sales	-
	-
Balance, December 31, 2012	\$ 260,688

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

6. INVESTMENTS, continued:

### VALUATION TECHNIQUES

Fair values for money market funds, negotiable certificates of deposit, U.S. Government agency obligations, mutual funds, U.S. Government securities, municipal bonds and corporate stocks are determined by reference to quoted market prices and other relevant information generated by market transactions, when available and are included in Level 1.

Fair values of annuity investments and certificates of deposits are based on other observable inputs including yields for securities of comparable maturity, quality, and type as obtained from market makers. Fair values of corporate bonds for which quoted market prices are not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The corporate bonds and annuity investments are included in Level 2.

The fair values of certificates of deposit included in Level 3 are based on observable inputs other than quoted prices and thus are based on yields for securities of comparable maturity, quality, and type as obtained from market makers.

Investment income consists of the following:

	December 31,	
	2013	2012
Interest and dividends	\$ 15,212	\$ 10,637
Realized gain (loss)	(764)	329
Unrealized gain (loss)	(3,935)	2,622
Investment fees	(4,116)	(4,076)
	<u>\$ 6,397</u>	<u>\$ 9,512</u>

7. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2013	2012
Land	\$ 45,000	\$ 45,000
Buildings and improvements	531,783	531,783
Furniture, fixtures, and equipment	468,476	468,476
Software	33,000	33,000
	<u>1,078,259</u>	<u>1,078,259</u>
Less: accumulated depreciation	<u>(818,497)</u>	<u>(790,063)</u>
	<u>\$ 259,762</u>	<u>\$ 288,196</u>

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

8. LOANS PAYABLE:

Loans payable consist of the following:

Mortgage loan payable of \$1,700,000, collateralized by property in Oyster Bay, New York, bearing interest at an interest rate equal to the New York prime rate minus .25%, with a floor 7.00%. The original maturity date was September 2026; however, the Church repaid the loan in full during 2013.

December 31,	
2013	2012
	\$ 59,616
	\$ -

As part of the retirement agreement between the Church and the former Metropolitan, the Church agreed to assume a loan owed by the former Metropolitan to the Diocese of the South with a principal balance of \$42,798. The Church and the Diocese of the South agreed to a three year repayment period without interest commencing in July 2013 and maturing in May 2016. Monthly principal payments amount to \$1,200.

	\$ 59,616
	\$ 35,598

A schedule of future minimum principal payments is as follows:

Year ending December 31,	
2014	\$ 14,400
2015	14,400
2016	6,798
	\$ 35,598

9. LEASE COMMITMENTS:

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$21,838 and \$22,212 for the years ending December 31, 2013 and 2012, respectively. Estimated future minimum lease payments by year and in the aggregate under the lease consists of the following:

Year ending December 31,	
2014	\$ 21,324
2015	14,628
2016	7,932
	\$ 43,884

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

### 10. RETIREMENT OBLIGATION:

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 America 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 both years ending December 31, 2013 and 2012. The actuarially calculated liability for future payments under this obligation amounted to \$54,178 and \$68,250 at December 31, 2013 and 2012, respectively.

### 11. MULTIEMPLOYER PENSION PLAN:

Substantially all full-time employees participate in The Orthodox Church in America Pension Plan (the Plan). This multiemployer 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 multiemployer plan differs 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 service 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 \$43,437 and \$41,600 in 2013 and 2012, respectively. The contributions made by the Church represented approximately 2.35% and 2.30% of the total contributions made to the Plan in 2013 and 2012, 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.



# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

11. MULTIEMPLOYER PENSION PLAN, continued:

Contributions from all employers to the Plan for December 31, 2013 and 2012, respectively, are as follows:

Pension Fund:	FEIN	2013	2012
Orthodox Church in America Pension Plan	06-1455789	\$ 1,846,621	\$ 1,806,396

As of December 31, 2013, the Plan's total net assets available for benefits were \$27,315,378, and the present value of accumulated Plan benefits was \$42,144,166. As of December 31, 2012, the Plan's total net assets available for benefits were \$24,781,362 and the actuarial present value of accumulated plan benefits was \$41,824,744. As of December 31, 2013, the Plan was less than 65% funded.

12. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are as follows:

	December 31,			
	2012	Additions and Other Changes	Releases	2013
Mission appeal	\$ 929,556	\$ 27,618	\$ (3,322)	\$ 953,852
Uni-trust funds	157,592	7,074	(2,579)	162,087
Restricted endowments excess earnings	142,412	345	-	142,757
General purpose endowment excess earnings	79,125	183	-	79,308
Charity	73,916	1,487	(3,508)	71,895
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Chaplain reserve	1,896	-	-	1,896
Seminary appeal	-	27,144	(26,246)	898
Other restricted purposes	33,068	61,925	(94,170)	823
	\$ 1,506,421	\$ 125,776	\$ (129,825)	\$ 1,502,372

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

12. TEMPORARILY RESTRICTED NET ASSETS, continued:

	December 31,			
	2011	Additions and Other Changes	Releases	2012
Mission appeal	\$ 969,056	\$ 5,251	\$ (44,751)	\$ 929,556
Uni-trust funds	156,145	1,447	-	157,592
Restricted endowments excess earnings	139,376	3,894	(858)	142,412
General purpose endowment excess earnings	77,515	1,610	-	79,125
Charity	71,350	12,566	(10,000)	73,916
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Other restricted purposes	86,914	78,135	(131,981)	33,068
Chaplain reserve	1,896	-	-	1,896
Seminary appeal	4,015	1,199	(5,214)	-
	<u>\$ 1,595,123</u>	<u>\$ 104,102</u>	<u>\$ (192,804)</u>	<u>\$ 1,506,421</u>

13. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of the following:

	December 31,	
	2013	2012
Donor restricted endowments:		
General purposes	\$ 224,268	\$ 224,268
Restricted purposes	775,762	775,762
Permanently restricted charitable remainder unitrust	23,219	21,930
	<u>\$ 1,023,249</u>	<u>\$ 1,021,960</u>

14. 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 ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

### 14. ENDOWMENTS, continued:

The Church classifies as permanently restricted net assets (a) the original value of gifts donated to the donor-restricted permanent endowment, (b) the original value of subsequent gifts to the donor-restricted permanent endowment, and (c) accumulations to the permanent 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 that is not classified in permanently restricted net assets is classified as temporarily 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

#### Funds with Deficiencies

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 that are reported in unrestricted net assets were \$487,623 and \$487,416 at December 31, 2013 and 2012, respectively. \$401,500 of these deficiencies at December 31, 2013 and 2012, respectively, are the result of borrowing from the endowment fund assets for operations, and the remaining \$86,123 and \$85,916 at December 31, 2013 and 2012, respectively, resulted from realized losses that occurred shortly after the market downturn in 2008. Management intends to utilize funds from an unrestricted bequest expected to be collected subsequent to year end to repay the borrowing from the endowment fund 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 90%) to achieve its long-term return and growth objectives within prudent risk constraints.

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

14. ENDOWMENTS, continued:

Endowment net assets composition by type of fund as of December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments for:				
General purposes	\$ (139,143)	\$ 79,308	\$ 224,268	\$ 164,433
Restricted purposes	(348,480)	142,757	775,762	570,039
Total endowment funds	<u>\$ (487,623)</u>	<u>\$ 222,065</u>	<u>\$ 1,000,030</u>	<u>\$ 734,472</u>

Changes in endowment net assets for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	\$ (487,416)	\$ 221,536	\$ 1,000,030	\$ 734,150
Investment return:				
Interest and dividend income (net of fees)	-	5,366	-	5,366
Realized and unrealized losses	-	(5,044)	-	(5,044)
Total investment return	-	322	-	322
Other changes:				
Change in funds with deficiencies	(207)	207	-	-
Endowment net assets, December 31, 2013	<u>\$ (487,623)</u>	<u>\$ 222,065</u>	<u>\$ 1,000,030</u>	<u>\$ 734,472</u>

Endowment net assets composition by type of fund as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments for:				
General purposes	\$ (139,141)	\$ 79,124	\$ 224,268	\$ 164,251
Restricted purposes	(348,275)	142,412	775,762	569,899
Total endowment funds	<u>\$ (487,416)</u>	<u>\$ 221,536</u>	<u>\$ 1,000,030</u>	<u>\$ 734,150</u>

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

14. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2012	\$ (709,649)	\$ 437,508	\$ 1,000,030	\$ 727,889
Prior-period adjustment	220,678	(220,678)	-	-
Endowment net assets, January 1, 2012 as adjusted	(488,971)	216,830	1,000,030	727,889
Investment return:				
Interest and dividend income (net of fees)	-	5,405	-	5,405
Realized and unrealized gains	-	856	-	856
Total investment return	-	6,261	-	6,261
Other changes:				
Change in funds with deficiencies	1,555	(1,555)	-	-
Endowment net assets, December 31, 2012	\$ (487,416)	\$ 221,536	\$ 1,000,030	\$ 734,150

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2013 and 2012

15. PRIOR PERIOD ADJUSTMENTS:

It was discovered that a prior period adjustment was needed as a result of an overstatement of previously reported temporarily restricted net assets and a corresponding understatement of unrestricted net assets. Additionally, it was discovered that prior period adjustments were needed as a result of a retirement obligation liability that the Church entered into during 2007 that had not been recorded and to record the value of land acquired as a result of a bargain purchase in a prior year. The adjustments were made to the beginning balances as of the earliest period presented, December 31, 2012, and had the following effect on the financial statements:

	January 1 2012 Previously Stated	Adjustments	January 1 2012 As Restated
Property and equipment, net	\$ -	\$ 45,000	\$ 45,000
Retirement obligation	\$ -	\$ 68,250	\$ 68,250
Unrestricted net assets	\$ (705,117)	\$ 199,990	\$ (505,127)
Temporarily restricted net assets	\$ 1,818,363	\$ (223,240)	\$ 1,595,123

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. No additional subsequent events were discovered that require disclosure.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

Metropolitan Council  
The Orthodox Church in America  
Syosset, New York

We have audited the financial statements of The Orthodox Church in America as of and for the year ended December 31, 2013, and have issued our report thereon dated August 21, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the financial statements as a whole.

The financial statements of The Orthodox Church in America for the year ended December 31, 2012, were audited by other auditors and their report thereon dated September 20, 2013, which expressed an unmodified opinion on those financial statements, appears on page 2. Their report, as of the same date, on the schedule of expenses stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended December 31, 2012, as a whole.

*Capin Crouse LLP*

New York, New York  
August 21, 2014



# THE ORTHODOX CHURCH IN AMERICA

## Supplemental Schedule of Expenses

Year Ended December 31, 2013

	Program	General and Administrative	Development	Totals
Program services, including related salaries:				
Website and public relations	\$ 24,706	\$ -	\$ -	\$ 24,706
Newspaper, sourcebook and calendar	64,120	-	-	64,120
History and archives	101,441	-	-	101,441
External affairs	147,427	-	-	147,427
Charity	6,300	-	-	6,300
Missions and stewardship	122,270	-	-	122,270
Seminaries	26,247	-	-	26,247
Education and community life	26,841	-	-	26,841
Parish and youth ministries	55,738	-	-	55,738
Pastoral life	27,284	-	-	27,284
All-American Council	11,958	-	-	11,958
Supporting services:				
Salaries and stipends	48,285	548,498	95,500	692,283
Payroll taxes and employee benefits	16,322	185,409	32,282	234,013
Supplies and other office expenses	18,081	18,189	3,638	39,908
Telephone and internet	7,397	9,246	1,849	18,492
Professional fees and contracted services	-	112,273	-	112,273
Travel	85,995	107,109	21,422	214,526
Meetings and conferences	1,519	2,149	380	4,048
Interest expense	514	643	129	1,286
Property taxes and town fees	12,511	15,639	3,128	31,278
Repairs and maintenance/building and grounds	39,083	48,854	9,771	97,708
Building utilities	12,800	16,001	3,200	32,001
Postage and shipping	570	713	143	1,426
Bad debt expense - assessments	-	21,085	-	21,085
Insurance	13,364	16,706	3,341	33,411
Bank and credit card fees	5,168	6,460	1,292	12,920
Miscellaneous	17,137	32,398	4,285	53,820
Expenses before depreciation, amortization				
and professional fees - legal	893,078	1,141,372	180,360	2,214,810
Depreciation	11,374	14,217	2,843	28,434
Amortization of closing costs	1,230	1,538	308	3,076
Professional fees - legal	-	155,367	-	155,367
<b>Total Expenses</b>	<b>\$ 905,682</b>	<b>\$ 1,312,494</b>	<b>\$ 183,511</b>	<b>\$ 2,401,687</b>

See auditors' report on supplementary information

# THE ORTHODOX CHURCH IN AMERICA

## Supplemental Schedule of Expenses

Year Ended December 31, 2012

	Program	General and Administrative	Development	Totals
Program services, including related salaries:				
Website and public relations	\$ 78,169	\$ -	\$ -	\$ 78,169
Newspaper, sourcebook and calendar	77,224	-	-	77,224
History and archives	97,877	-	-	97,877
External affairs	101,834	-	-	101,834
Charity	1,252	-	-	1,252
Missions and stewardship	101,044	-	-	101,044
Seminaries	6,000	-	-	6,000
Education and community life	20,440	-	-	20,440
Parish and youth ministries	24,611	-	-	24,611
Pastoral life	23,013	-	-	23,013
All-American Council	145,770	-	-	145,770
Supporting services:				
Salaries and stipends	29,952	479,232	89,856	599,040
Payroll taxes and employee benefits	9,998	159,975	29,995	199,968
Supplies and other office expenses	15,973	16,855	3,293	36,121
Telephone and internet	7,495	9,369	1,874	18,738
Professional fees and contracted services	-	175,014	-	175,014
Travel	69,730	87,162	17,432	174,324
Meetings and conferences	2,263	2,828	566	5,657
Interest expense	6,103	7,629	1,526	15,258
Property taxes and town fees	11,974	14,968	2,994	29,936
Repairs and maintenance/building and grounds	18,094	22,618	4,524	45,236
Building utilities	10,578	13,222	2,644	26,444
Postage and shipping	1,752	2,191	438	4,381
Bad debt expense - assessments and notes receivable	-	26,126	-	26,126
Bad debt expense - bequests receivable	-	39,500	-	39,500
Insurance	13,762	17,202	3,440	34,404
Bank and credit card fees	2,303	3,839	576	6,718
Miscellaneous	563	9,421	141	10,125
Expenses before depreciation, amortization and professional fees - legal				
	877,774	1,087,151	159,299	2,124,224
Depreciation	11,714	14,643	2,929	29,286
Amortization of closing costs	24,637	30,795	6,159	61,591
Professional fees - legal	-	158,829	-	158,829
Total Expenses	<u>\$ 914,125</u>	<u>\$ 1,291,418</u>	<u>\$ 168,387</u>	<u>\$ 2,373,930</u>

See auditors' report on supplementary information

**ST CATHERINE'S REPRESENTATION  
CHURCH  
FINANCIAL STATEMENTS**

1. Financial Report for the Year Ended December 31, 2013
2. Financial Report for the Year Ended December 31, 2014



Подворье Патриарха Московского и всея Руси

## Храм св.вмц.Екатерины на Вespолье

119017, Москва, Большая Ордынка, д.60/2  
 тел.(495) 959-12-96, факс (495) 248-29-03  
<http://www.st-catherine.ru>

Финансы, ДЕКАБРЬ 2012/Financial report for DECEMBER 2012

St Catherine's  
 December 2012

date/date	Name	Balance for 01.12.2012	Остаток на 01.12.2012 назначение	28 009,00		66,00		95,00	
				руб	€	руб	€	руб	€
01 декабря	Donation boxes		Вскрытие ящиков	27 080,00					
01 декабря	Donation from "Vozdvizhenie"		Пожертвование от "Воздвижение"	22 000,00					
01 декабря	Donation from "Old icons"		Пожертвование от "Старинные иконы"	20 310,00					
01 декабря	Donation from "Planeta"		Пожертвование от "Авиабилеты"	30 000,00					
01 декабря	Donation from Church Fabric Store		Пожертвование от "Церковные ткани"	176 000,00					
01 декабря	Donation from Shigri		Пожертвование от "Щигровское братство"	244 000,00					
02 декабря	Salary for clergy and staff for november 2011		Зарплата сотрудникам					201 800,00	
02 декабря	Choir 22.10.2012- 28.10.2012		Оплата хора 22.10.2012- 28.10.2012					12 000,00	
02 декабря	fr.Andrey Tregubov for liturgy		о.Андрею за богослужение					3 000,00	
02 декабря	Transport card purchasing		Транспортная карта					1 245,00	
02 декабря	Mobile phone bills		Оплата мобильной связи					2 500,00	
02 декабря	Income from church candle shop 01-03.12.2012		Выручка 01.12.12-03.12.12	15 300,00					
03 декабря	Payment of utilities		Оплата коммунальных услуг					105 000,00	
03 декабря	Flowers on ornament		Цветы на украшение					45 000,00	
05 декабря	Drinks on a meal		Напитки на трапезу					17 466,00	
05 декабря	Products on a meal		Продукты на трапезу					30 173,00	
06 декабря	Pies for parishioners		Пирожки для прихожан					14 000,00	
07 декабря	Choir 07.12.12		Оплата хора на 07.12.12					24 000,00	
07 декабря	Cellular communication		Сотовая связь					1 000,00	
07 декабря	Income from church candle shop 06-07.12.2012		Выручка 06.12.12-07.12.12	245 000,00					
08 декабря	Site payment		Оплата сайта					40 000,00	
08 декабря	Help of the cook		Помощь повара					5 000,00	
08 декабря	Collecting for a patronal feast day		Сбор на престольный праздник	9 600,00					

08 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение							5 000,00
08 декабря	Income from church candle shop 04-06.12.2012	Выручка 04.12.12-06.12.12			38 000,00				
08 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение							2 000,00
09 декабря	Choir 03.12.2012- 09.12.2012	Оплата хора 03.12.2012- 09.12.2012							30 000,00
10 декабря	Income from church candle shop 08-10.12.2012	Выручка 08.12.12-12.12.12			17 500,00				
10 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение							3 000,00
10 декабря	Fr. John for baptizing	о.Иоанну за крещение							1 000,00
10 декабря	Sahors wine in the Altar	Кагор в Алтарь							18 180,00
10 декабря	Sunday collection	Воскресный сбор			2 630,00				
10 декабря	Annual service of the representative apartment	Годовое обслуживание представительской квартиры							19 500,00
11 декабря	Gasoline for a car	Бензин для авто							15 000,00
11 декабря	Garbage removal in 5 months	Вывоз мусора за 5 месяцев							42 000,00
12 декабря	Advance for Kolotyichin Nikolay	Аванс Колотушкину Николаю							10 000,00
13 декабря	Utility payments of the representative apartment	Коммунальные платежи представительской квартиры							26 500,00
14 декабря	Income from church candle shop 11-13.12.2012	Выручка 11.12.12-13.12.12			17 000,00				
14 декабря	Advance payment to Pilenoga Elena	Аванс Пиленого Елене							5 000,00
17 декабря	Income from church candle shop 14-16.12.2012	Выручка 14.12.12-16.12.12			36 950,00				
17 декабря	Prosfora	Просфоры							300,00
17 декабря	Choir 10.12.2012- 16.12.2012	Оплата хора 10.12.2012- 16.12.2012							12 000,00
17 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение							2 000,00
17 декабря	Fr. John for baptizing	о.Иоанну за крещение							1 000,00
17 декабря	Sunday collection	Воскресный сбор			4 800,00				
18 декабря	Products to tea	Продукты к чаю							4 450,00
18 декабря	Payment of an annual hosting	Оплата годового хостинга							16 000,00
20 декабря	Sanitary products	Сантехнические изделия							3 316,00
20 декабря	Washing machine	Стиральная машина							23 650,00
20 декабря	Income from church candle shop 17-20.12.2012	Выручка 17.12.12-20.12.12			20 970,00				
20 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение							2 000,00
20 декабря	Prosfora	Просфоры							600,00
21 декабря	Advance for Kolotyichin Nikolay	Аванс Колотушкину Николаю							8 000,00
24 декабря	Choir 17.12.2012- 23.12.2012	Оплата хора 17.12.2012- 23.12.2012							14 100,00
24 декабря	fr. Andrey Tregubov for liturgy	о.Андрею за богослужение							2 000,00

24 декабря	Income from church candle shop 21-23.12.2012	Выручка 21.12.12-23.12.12	14 560,00					
24 декабря	Sunday collection	Воскресный сбор	4 500,00					
25 декабря	Gasoline for a car	Бензин для авто				3 000,00		
26 декабря	Payment of utilities	Коммунальные платежи				172 000,00		
27 декабря	Income from church candle shop 24-27.12.2012	Выручка 24.12.12-27.12.12	20 822,00					
28 декабря	Salary to Golubev Igor	Зарплата Голубеву Игорю				16 800,00		
28 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение				1 000,00		
28 декабря	Icons in a temple bench	Иконы в лавку храма				7 440,00		
28 декабря	Household goods	Хозяйственные товары				382,00		
28 декабря	Car repair	Ремонт авто				6 990,00		
30 декабря	Choir 24.12.2012- 30.12.2012	Оплата хора 24.12.2012- 30.12.2012				12 000,00		
	TOTAL INCOME/EXPENSE IN DECEMBER	ВСЕГО ДОХОД/РАСХОД ЗА ДЕКАБРЬ	967 022,00			988 392,00	\$0,00	0,00
	BALANCE FOR 01.12.2012	ОСТАТОК НА 01.12.2012 в том числе:	7 539,00	\$66,00	95,00			

Acting bookkeeper  
Larionova Valentina



Подворье Патриарха Московского и всея Руси

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Аналитический баланс доходов за декабрь / Analytical balance of income		Пожертвования		
№	дата/date	DONATIONS named	наименование	
			руб	\$
	01 декабря	Donation from "Old icons"	20 310,00	
	01 декабря	Donation from "Vozdvizhenie"	22 000,00	
	01 декабря	Donation from "Planeta"	30 000,00	
	01 декабря	Donation from Church Fabric Store	176 000,00	
	01 декабря	Donation from Shigri	244 000,00	
	08 декабря	Donations for Altar day	9 600,00	
	ВСЕГО/IN ALL		501 910,00	\$0,00
SUNDAY COLLECTION/ ВОСКРЕСНЫЙ СБОР				
	10 декабря	Sunday donations	2 630,00	
	17 декабря	Sunday donations	4 800,00	
	24 декабря	Sunday donations	4 500,00	
	ВСЕГО/IN ALL		11 930,00	\$0,00
DONATION BOXES/ ЯЩИКИ ДЛЯ ПОЖЕРТВОВАНИЯ				
	01 декабря	Donation boxes	27 080,00	
	ВСЕГО/IN ALL		27 080,00	\$0,00

CANDLE SHOP IN CHURCH (BOOKS, NEEDS, CANDLES) / ВЫРУЧКА ИЗ ХРАМА (КНИГИ, УТВАРЬ, СВЕЧИ)

02 декабря	Income from church candle shop	01-03.12.2012	Выручка	01.12.12-03.12.12	15 300,00	
07 декабря	Income from church candle shop	06-07.12.2012	Выручка	06.12.12-07.12.12	245 000,00	
08 декабря	Income from church candle shop	04-06.12.2012	Выручка	04.12.12-06.12.12	38 000,00	
10 декабря	Income from church candle shop	08-10.12.2012	Выручка	08.12.12-12.12.12	17 500,00	
14 декабря	Income from church candle shop	11-13.12.2012	Выручка	11.12.12-13.12.12	17 000,00	
17 декабря	Income from church candle shop	14-16.12.2012	Выручка	14.12.12-16.12.12	36 950,00	
20 декабря	Income from church candle shop	17-20.12.2012	Выручка	17.12.12-20.12.12	20 970,00	
24 декабря	Income from church candle shop	21-23.12.2012	Выручка	21.12.12-23.12.12	14 560,00	
27 декабря	Income from church candle shop	24-27.12.2012	Выручка	24.12.12-27.12.12	20 822,00	
ВСЕГО/IN ALL					426 102,00	0,00
ИТОГО/TOTAL					967 022,00	\$0,00
						400,00

Главный бухгалтер храма св. вмц. Екатерины  
Ларионова Валентина

Acting bookkeeper  
Larionova Valentina





Подворье Патриарха Московского и всея Руси  
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**BANK BALANCE FOR DECEMBER 2012**

**БАНКОВСКИЙ СЧЁТ ЗА ДЕКАБРЬ 2012**

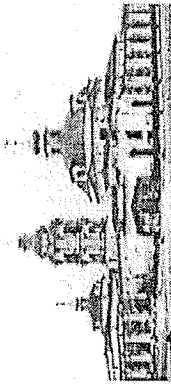
Остаток на 01.12.12		Balance for 01.12.12		6 840,76	
дата/дата	операция	operation	income	expense	
	ВСЕГО В ДЕКАБРЕ	IN ALL IN DECEMBER	0,00	0,00	
	Остаток на 01.01.2013	Balance for 01.01.2013	6 840,76		

Главный бухгалтер храма святой великомученицы Екатерины  
Ларионова Валентина

Acting bookkeeper  
Larionova Valentina

BANK DEPOSIT		ВЗНОС В БАНК	
№	name	наименование	сумма
1			сумма
ВСЕГО/IN ALL			0,00
AUTOMOBILE EXPENSES		ОБСЛУЖИВАНИЕ А/М	
№	name	наименование	сумма
1	11 декабря	Бензин для авто	15 000,00
2	25 декабря	Бензин для авто	3 000,00
3	28 декабря	Ремонт авто	6 990,00
ВСЕГО/IN ALL			24 990,00
FOOD PURCHASES		ПРОДУКТЫ	
№	name	наименование	сумма
1			сумма
ВСЕГО/IN ALL			0,00
CHURCH DECORATION		УКРАШЕНИЕ ХРАМА	
№	name	наименование	сумма
1			сумма
ВСЕГО/IN ALL			0,00
HOUSEHOLD SUPPLIES		ХОЗЯЙСТВЕННЫЕ НУЖДЫ	
№	name	наименование	сумма
1	20 декабря	Сантехнические изделия	3 316,00
2	28 декабря	Хозяйственные товары	382,00
ВСЕГО/IN ALL			3 698,00
BUILDING repair		РЕСТАВРАЦИЯ И РЕМОНТ ЗДАНИЯ ХРАМА	
№	name	наименование	сумма
1			сумма
ВСЕГО/IN ALL			0,00
SUPPLIES (VARIOUS)		ИНВЕНТАРЬ	
№	name	наименование	сумма
1			сумма
ВСЕГО/IN ALL			0,00
CHURCH LAND BEAUTIFICATION PROJECT		ЛАГОУСТРОЙСТВО ТЕРРИТОРИИ ХРАМА	
№	name	наименование	сумма
1			сумма
ВСЕГО/IN ALL			0,00
LITURGICAL SUPPLIES		ПРЕДМЕТЫ ЦЕРКОВНОГО ОБИХОДА	
№	name	наименование	сумма
1	10 декабря	Кагор в Алтарь	18 180,00
2	17 декабря	Просфоры	300,00
3	20 декабря	Просфоры	600,00

4	28 декабря	Icons in a temple bench	Иконы в лавку храма	7 440,00		0,00	0,00
	ВСЕГО/IN ALL			26 520,00			0,00
		GOODS TO BOOKSTORE	ПОКУПКА ТОВАРА В ЛАВКУ				
№		name	наименование	сумма	сумма	сумма	сумма
1							
	ВСЕГО/IN ALL			0,00		0,00	0,00
		PATRONAL FEAST	ПРЕСТОЛЬНЫЙ ПРАЗДНИК				
№		name	наименование	сумма	сумма	сумма	сумма
1	03 декабря	Flowers on ornament	Цветы на украшение	45 000,00			
2	05 декабря	Drinks on a meal	Напитки на трапезу	17 466,00			
3	05 декабря	Products on a meal	Продукты на трапезу	30 173,00			
4	06 декабря	Pies for parishioners	Пирожки для прихожан	14 000,00			
5	18 декабря	Products to tea	Продукты к чаю	4 450,00			
	ВСЕГО/IN ALL			111 089,00		0,00	0,00
		REPRESENTATIVE EXPENSES	ПРЕДСТАВИТЕЛЬСКИЕ РАСХОДЫ				
№		name	наименование	сумма	сумма	сумма	сумма
1							
	ВСЕГО/IN ALL			0,00		0,00	0,00
		PHOTOGRAPHY SUPPLIES	ФОТОУСЛУГИ				
№		name	наименование	сумма	сумма	сумма	сумма
1							
	ВСЕГО/IN ALL			0,00		0,00	0,00
		OFFICE SUPPLIES	КАНЦЕЛЯРИЯ				
№		name	наименование	сумма	сумма	сумма	сумма
1							
	ВСЕГО/IN ALL			0,00		0,00	0,00
		APARTAMENT	РАСХОДЫ НА ПРЕДСТАВ. КВАРТИРУ				
№		name	наименование	сумма	сумма	сумма	сумма
1	10 декабря	Annual service of the representative apartment	Годовое обслуживание представительской квартиры	19 500,00			
	20 декабря	Washing machine	Стиральная машина	23 650,00			
	ВСЕГО/IN ALL			43 150,00		0,00	0,00
		COMMUNICATIONS	ОПЛАТА СВЯЗИ				
№		name	наименование	сумма	сумма	сумма	сумма
1	02 декабря	Mobile phone bills	Оплата мобильной связи	2 500,00			
2	07 декабря	Cellular communication	Сотовая связь	1 000,00			
	ВСЕГО/IN ALL			3 500,00		0,00	0,00



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Аналитический баланс расходов за Д е к а б р ь 2012 года / Analytical balance of expense in D e c e m b e r 2012

№	SALARY		ОПЛАТА ТРУДА		сумма руб	сумма \$	сумма €
	плате	наименование	наименование	руб			
1	01 декабря	Salary for employees	Зарплата сотрудникам	201 800,00			
2	02 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	3 000,00			
3	08 декабря	Help of the cook	Помощь повара	5 000,00			
4	08 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	5 000,00			
5	08 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	2 000,00			
6	10 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	3 000,00			
7	10 декабря	Fr.John for baptizing	о.Иоанну за крещение	1 000,00			
8	12 декабря	Advance for Kolotychin Nikolay	Аванс Колотушкину Николаю	10 000,00			
9	14 декабря	Advance payment to Pilenoga Elena	Аванс Пиленого Елене	5 000,00			
10	17 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	2 000,00			
11	17 декабря	Fr.John for baptizing	о.Иоанну за крещение	1 000,00			
12	20 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	2 000,00			
13	21 декабря	Advance for Kolotychin Nikolay	Аванс Колотушкину Николаю	8 000,00			
14	24 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	2 000,00			
15	28 декабря	Salary to Golubev Igor	Зарплата Голубеву Игорю	16 800,00			
16	28 декабря	fr.Andrey Tregubov for liturgy	о.Андрею за богослужение	1 000,00			
	ВСЕГО/IN ALL			268 600,00	0,00		0,00
		Choir payment	ОПЛАТА ХОРА				
		плате	наименование	руб	\$	€	
1	02 декабря	Choir 22.10.2012- 28.10.2012	Оплата хора 22.10.2012- 28.10.2012	12 000,00			
2	07 декабря	Choir 07.12.12	Оплата хора на 07.12.12	24 000,00			
3	09 декабря	Choir 03.12.2012- 09.12.2012	Оплата хора 03.12.2012- 09.12.2012	30 000,00			
4	17 декабря	Choir 10.12.2012- 16.12.2012	Оплата хора 10.12.2012- 16.12.2012	12 000,00			
5	24 декабря	Choir 17.12.2012- 23.12.2012	Оплата хора 17.12.2012- 23.12.2012	14 100,00			
3	30 декабря	Choir 24.12.2012- 30.12.2012	Оплата хора 24.12.2012- 30.12.2012	12 000,00			
	ВСЕГО/IN ALL			104 100,00	0,00		0,00

		ПРОЧИЕ РАСХОДЫ			
№	date	наименование	сумма	сумма	сумма
1	02 декабря	Transport card purchasing	1 245,00		
2	03 декабря	Payment of utilities	105 000,00		
3	08 декабря	Site payment	40 000,00		
4	11 декабря	Garbage removal in 5 months	42 000,00		
5	13 декабря	Utility payments of the representative apartment	26 500,00		
6	18 декабря	Payment of an annual hosting	16 000,00		
7	26 декабря	Payment of utilities	172 000,00		
	ВСЕГО/IN ALL		402 745,00	0,00	0,00
		EXCHANGE(compare with income account)			
№	name	наименование	сумма	сумма	сумма
1					
	ВСЕГО/IN ALL		0,00	0,00	0,00
	TOTAL EXPENSE IN DECEMBER/ ВСЕГО РАСХОДОВ В ДЕКАБРЕ		988 392,00	0,00	€

Acting bookkeeper  
Larionova Valentina

Подворье Патриарха Московского и всея Руси  
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	Зарплата за Ноябрь	Salaru in November		
№	Status	Name	Сумма	Сумма
1	Priest			
2	Priest	John Kechkin	25 000р.	
3	Deacon	Gleb Kryazhevskih		
4	Altar server	Dmitry Sorokin	7 000р.	
5	Starosta	Sergei Alikov	22 000р.	
6				
7	Secretary	Cyril Dotsenko	18 000р.	
8	Acting bookkeeper	Larionova Valentina	20 000р.	
9	Bookstore employee	Galina Ckalon	12 000р.	
10	Candle desk employee	Alevtina Sinitsyna	12 000р.	
11	Candle desk employee	Elena Pilenoga	7 000р.	5 000.
12	Candle desk employee	Ivansova Tatiana	12 000р.	
13				
14	Driver	Cyril Dotsenko	20 000р.	
15	Cooking lady			
16	Critical care	Dmitry Yakovlev	7 000р.	
17	Cleaning lady	Minenko Elena	13 000р.	
18	Cleaning lady 2-nd floor			
19	Cleaning lady (уборка кв-ры)	Zharova Lera	8 000р.	
20	Yard-keeper	Mursaparov	12 000р.	
21	Security guard	Kolotushkin Nikolay		19 200р.
22	Security guard	Zasipkin Valentin		
23	Security guard	Golubev Igor	6 800р.	10 000р.
	<b>ВСЕГО/TOTAL</b>		<b>201 800р.</b>	<b>34 200р.</b>



Подворье Патриарха Московского и всея Руси

## Храм св.вмц.Екатерины на Вespолье

119017, Москва, Большая Ордынка, д.60/2  
 тел.(495) 959-12-96, факс (495) 248-29-03  
<http://www.st-catherine.ru>

5

date/date	Name	Остаток на 01.01.2015		приход / Income		расход / expense	
		руб	€	руб	€	руб	€
01 января	Donation boxes	512 300,00					
01 января	Salary for clergy and staff for 2014					122 000,00	
01 января	Banquet December 7, 2014					135 000,00	
01 января	The employee's salary for December 2014					266 600,00	
01 января	Mantle and tables					38 500,00	
01 января	Representative apartment for 1 year					23 500,00	
01 января	Payment for Volvo cars					21 000,00	
01 января	Payment of the Internet, protection of the temple					28 270,00	
01 января	Chorus for recording disc					16 000,00	
01 января	Payment icons					39 000,00	
01 января	Paper for the Office					1 000,00	
01 января	Fine SDA					1 000,00	
01 января	Income from church candle shop 29-31.12.2014	14 500,00					
01 января	Insurance of VASES 2105					13 600,00	
01 января	unleavened bread					5 000,00	
04 января	Income from church candle shop 01-04.01.2015	31 200,00					
06 января	Income from church candle shop 05-06.01.2015	10 000,00					
10 января	Income from church candle shop 07-01.2015	43 000,00					

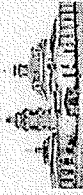
St Catherine's  
December 2014

11 января	Services of photographer	Услуги фотографа				10 000,00
11 января	Manual of Chulgina A.A.	Пособие Шульгиной А.А.				5 000,00
12 января	Advance of Kolotuchiny to Nikolay	Аванс Колотушкину Николаю				13 500,00
12 января	Prosofora purchase	Просфоры				1 560,00
12 января	Petrol for an auto	Бензин для авто				1 550,00
12 января	Income from church candle shop 08-11.01.2015	Выручка 08.01.15-11.01.15	37 060,00			
13 января	Petrol for an auto	Бензин для авто				1 940,00
16 января	Purchase of church utensil	Покупка церковной утвари				27 600,00
16 января	Household goods	Хозяйственные товары				900,00
16 января	Income from church candle shop 12-14.01.2015	Выручка 12.01.15-14.01.15	10 595,00			
16 января	Screen-wiper for an auto	Стеклоочиститель для авто				2 000,00
19 января	Medications in a pharmacy	Лекарства в аптеку				2 256,00
19 января	Income from church candle shop 15-18.01.2015	Выручка 15.01.15-18.01.15	63 680,00			
19 января	Purchase of prosofora	Покупка просфор				2 485,00
19 января	A magazine is "Vine"	Журнал "Виноград"				225,00
19 января	Salary of Пиленого to Elena	Зарплата Пиленого Елене				12 000,00
21 января	Payment of telephones (Ростелеком, МГТС)	Оплата телефонов(Ростелеком,МГТС)				17 727,00
21 января	Photos on Baptizing	Фотографии на Крещение				10 000,00
21 января	Income from church candle shop 19-21.01.2015	Выручка 19.01.15-23.01.15	40 000,00			
21 января	Collection on blessing of waters	Сбор на освящение воды	4 270,00			
23 января	Income from church candle shop 22-23.01.2015	Выручка 22.01.15-23.01.15	20 730,00			
23 января	Buying cartridges	Покупка картриджей				5 680,00
26 января	Transport card	Транспортная карта				1 300,00
26 января	Income from church candle shop 24-26.01.2015	Выручка 26.01.15-26.01.15	37 500,00			
26 января	Tuning of server	Настройка сервера				3 000,00
26 января	For sunday-school	Для воскресной школы				1 065,00
26 января	Income from church candle shop 26-30.01.2015	Выручка 26.01.15-30.01.15	22 870,00			
31 января	Income from church candle shop 30-31.01.2015	Выручка 30.01.15-31.01.15	5 250,00			



auto	Бензин для авто				1
chase	Просфоры				
ME/EXPENSE IN JANUARY	ВСЕГО ДОХОД/РАСХОД ЗА ЯНВАРЬ	852 955,00	0,00	0,00	83
DR 01.02.2015	ОСТАТОК НА 01.02.2015 в том числе:	27 705,00	\$66,00	145,00	

Acting bookkeeper  
Larionova Valentina



Подворье Патриарха Московского и всея Руси  
**Храм св.вмц.Екатерины на Всполье**

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<http://www.st-catherine.ru>

Аналитический баланс расходов за Я Н В А Р Ь 2015 года / Analytical balance of expense in J A N U A R Y 2015

SALARY		ОПЛАТА ТРУДА	Сумма	Сумма	Сумма
name	наименование	руб	\$	€	
01 января	Salary for clergy and staff for	122 000,00			
06 января	The employee's salary for December 2014	266 600,00			
11 января	The allowance for child care up to 1.5 years	5 000,00			
12 января	Shulgina AA				
12 января	Salary Kolotushkin Nicholas	13 500,00			
19 января	Salary of Пиленого Elena	12 000,00			
ВСЕГО/IN ALL		419 100,00	0,00		
	CHOIR				
	name	руб	\$	€	
01 января	Chorus for recording disc	16 000,00			
ВСЕГО/IN ALL		16 000,00	0,00		
	BANK DEPOSIT				
	name	Сумма	Сумма	Сумма	
ВСЕГО/IN ALL			0,00		
	AUTOMOBILE EXPENSE				
	name	Сумма	Сумма	Сумма	
01 января	Payment for Volvo cars	21 000,00			
01 января	Fine SDA	1 000,00			
01 января	Insurance of VASES 2105	13 600,00			
12 января	Gasoline for a car	1 550,00			
13 января	Gasoline for a car	1 940,00			
16 января	Screen-wiper for an auto	2 000,00			
31 января	Gasoline for a car	1 500,00			
ВСЕГО/IN ALL		42 590,00	0,00		
	FOOD PURCHASES				
	name	Сумма	Сумма	Сумма	
	ПРОДУКТЫ				
ВСЕГО/IN ALL			0,00		
	CHURCH DECORATION				
	name	Сумма	Сумма	Сумма	
	УКРАШЕНИЕ ХРАМА				
ВСЕГО/IN ALL			0,00		

18 января										
ВСЕГО/IN ALL			HOUSEHOLD SUPPLIES					0,00		0,00
			name						сумма	сумма
04 января			Household goods						900,00	
19 января			Medications in a pharmacy						2 256,00	
ВСЕГО/IN ALL									3 156,00	0,00
			LITURGICAL SUPPLIES							
			name						сумма	сумма
01 января			Mantle and tables						38 500,00	
01 января			unleavened bread						5 000,00	
12 января			unleavened bread						1 560,00	
19 января			unleavened bread						2 485,00	
31 января			unleavened bread						800,00	
ВСЕГО/IN ALL									48 345,00	0,00
			GOODS TO BOOKSTORE							
			name						сумма	сумма
01 января			Payment icons						39 000,00	
16 января			Purchase of church utensil						27 600,00	
19 января			A magazine is "Vine"						225,00	
ВСЕГО/IN ALL									66 825,00	0,00
			REPRESENTATIVE EXPENSES							
			name						сумма	сумма
ВСЕГО/IN ALL									0,00	0,00
			OFFICE SUPPLIES							
			name						сумма	сумма
01 января			Paper for the Office						1 000,00	
14 января			Buying cartridges						5 680,00	
ВСЕГО/IN ALL									6 680,00	0,00
			APARTAMENT							
			name						сумма	сумма
01 января			Representative apartment for 1 year						23 500,00	
ВСЕГО/IN ALL									23 500,00	0,00
			COMMUNICATIONS							
			name						сумма	сумма
01 января										
ВСЕГО/IN ALL									0,00	0,00
			ПРОЧИЕ РАСХОДЫ							
			name						сумма	сумма
01 января			Banquet December 7, 2014						135 000,00	
01 января			temple						28 270,00	
01 января			Services of photographer						10 000,00	

phones (Ростелеком, МГТС)	Оплата телефонов(Ростелеком, МГТС)
charging	Фотографии на Крещение
	Транспортная карта
	Настройка сервера
	Для воскресной школы
compare with income account)	ОБМЕН ВАЛЮТЫ
	наименование
	сумма
<b>ВСЕГО РАСХОДОВ В ЯНВАРЕ</b>	

Acting bookl  
Larionova Va



Подворье Патриарха Московского и всея Руси

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Аналитический баланс доходов за январь 2015 года / Analytical balance of in January income, 2015						
№	дата/date	DONATIONS named	Пожертвования		руб	€
			наименование	\$		
1	21 января	Collection on sanctifying	Сбор на освящение воды		4 270,00	
	ВСЕГО/IN ALL				4 270,00	\$0,00
SUNDAY COLLECTION/ ВОСКРЕСНЫЙ СБОР						
1						
	ВСЕГО/IN ALL				0,00	\$0,00
DONATION BOXES/ ЯЩИКИ ДЛЯ ПОЖЕРТВОВАНИЯ						
1	01 января	Donation boxes	Вскрытие ящиков		512 300,00	
	ВСЕГО/IN ALL				512 300,00	\$0,00
CANDLE SHOP IN CHURCH (BOOKS, NEEDS, CANDLES) / ВЫРУЧКА ИЗ ХРАМА (КНИГИ, УТВАРЬ, СВЕЧИ)						
1	01 января	Income from church candle shop	Выручка храма		14 500,00	
2	04 января	Income from church candle shop	Выручка храма		31 200,00	
3	06 января	Income from church candle shop	Выручка храма		10 000,00	
4	10 января	Income from church candle shop	Выручка храма		43 000,00	
5	12 января	Income from church candle shop	Выручка храма		37 060,00	
6	16 января	Income from church candle shop	Выручка храма		10 595,00	
7	19 января	Income from church candle shop	Выручка храма		63 680,00	
8	21 января	Income from church candle shop	Выручка храма		40 000,00	
9	23 января	Income from church candle shop	Выручка храма		20 730,00	
10	26 января	Income from church candle shop	Выручка храма		37 500,00	
11	26 января	Income from church candle shop	Выручка храма		22 870,00	
12	31 января	Income from church candle shop	Выручка храма		5 250,00	
	ВСЕГО/IN ALL				336 385,00	0,00
RUBLE FUND AFTER EXCHANGE / РУБЛЕВЫЙ ФОНД ПОПОЛНЕН В РЕЗУЛЬТАТЕ ОБМЕНА ВАЛЮТ						
1						

		0,00
		852 955,00

св. вміц. Екатеріны

Acting bookkeeper

Larionova Valentina

Подворье Патриарха Московского и всея Руси  
**Храм св.вмц.Екатерины на Всполье**

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	Зарплата за Декабрь	Salary in December		
№	Status	Name	Сумма	Сумма
1	Priest	Valentin Vasechko	25 000р.	
2	Priest	John Kechkin	25 000р.	
3	Deacon			
4	Altar server	Dmitry Sorokin	7 000р.	
5	Starosta	Sergei Alikov	40 000р.	
6				
7	Secretary	Cyril Dotsenko	18 000р.	
8	Acting bookkeeper	Larionova Valentina	20 000р.	
9	Bookstore employee	Galina Ckalon	12 000р.	
10	Candle desk employee	Alevtina Sinitsyna	12 000р.	
11	Candle desk employee	Elena Pilenoga	12 000р.	
12	Candle desk employee	Ivansova Tatiana	12 000р.	
13				
14	Driver	Cyril Dotsenko	20 000р.	
15				
16				
17	Cleaning lady	Minenko Elena	17 000р.	
18	Security guard	Efimovich Alexandr	12 000р.	
19	Cleaning lady (уборка кв-ры)	Zharova Lera	10 000р.	
20	Yard-keeper	Mursaparov	15 000р.	
21	Security guard	Kolotushkin Nikolay		15 600р.
22	Security guard	Alikov Alexandr	9 600р.	
	<b>ВСЕГО/TOTAL</b>		<b>266 600р.</b>	<b>15 600р.</b>

# **ST TIKHON'S MONASTERY FINANCIAL STATEMENTS**

3. Financial Statements and Auditor's Report for the Year Ended December 31, 2011
4. Financial Statements and Auditor's Report for the Year Ended December 31, 2012
5. Financial Statements and Auditor's Report for the Year Ended December 31, 2013
6. DRAFT Financial Statements and Auditor's Report for the Year Ended December 31, 2014





## **St. Tikhon's Orthodox Monastery**

Financial Statements and  
Supplementary Information

December 31, 2011 and 2010

# **St. Tikhon's Orthodox Monastery**

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December 31, 2011 and 2010

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## Independent Accountants' Review Report

Board of Directors  
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying statement of financial position of St. Tikhon's Orthodox Monastery (the "Monastery") as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Monastery's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, except as noted in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 1 to the financial statements, accounting principles generally accepted in the United States of America require that a portion of the revenue from the sale of cemetery property be deferred until the internment services are performed, and that a portion of these revenues be deferred to recognize a liability for the perpetual care. Management has informed us that revenue from the sale of cemetery property is recognized when received. The effect of this departure from accounting principles generally accepted in the United States of America on the financial position, changes in net assets, and cash flows have not been determined.



Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information in the accompanying schedules on pages 14 to 19 is presented only for purposes of additional analysis, and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and, except for the matter described in the fifth paragraph of our report, we are not aware of any material modifications that should be made thereto.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
August 6, 2012

## St. Tikhon's Orthodox Theological Monastery

Statement of Financial Position

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

<b>Assets</b>	<b>2011</b>	<b>2010</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 292,311	\$ 64,449
Accounts receivable	91,470	79,355
Inventories	251,657	258,539
Prepaid expenses	5,787	846
Total current assets	641,225	403,189
<b>Property and Equipment, Net</b>	1,551,755	1,486,082
<b>Investments</b>	-	306,516
Total assets	<u>\$ 2,192,980</u>	<u>\$ 2,195,787</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 94,184	\$ 85,076
Accounts payable	87,753	80,386
Payroll taxes payable	867	4,349
Deferred revenue	18,242	2,200
Accrued interest	8,904	-
Sales tax payable	678	644
Total current liabilities	210,628	172,655
<b>Long-Term Debt</b>	1,317,969	1,380,852
Total liabilities	1,528,597	1,553,507
<b>Net Assets</b>		
Unrestricted	664,383	642,280
Total net assets	664,383	642,280
Total liabilities and net assets	<u>\$ 2,192,980</u>	<u>\$ 2,195,787</u>

See notes to financial statements

## St. Tikhon's Orthodox Theological Monastery

### Statement of Activities

Years Ended December 31, 2011 and 2010

(See Independent Accountants' Review Report)

#### Changes in Unrestricted Net Assets

	<u>2011</u>	<u>2010</u>
<b>Support and Revenue</b>		
Bookstore	\$ 529,114	\$ 619,286
Contributions	382,500	313,769
Iconography projects	57,540	101,300
Gain on sale of asset	-	48,500
Cemetery plots	32,518	46,400
Investment income	18,664	20,705
Bequests	15,000	20,692
Activities	19,252	18,583
Assessment and dues	11,129	9,680
Miscellaneous	-	7,032
	<u>1,065,717</u>	<u>1,205,947</u>
<b>Expenses</b>		
Operating	403,261	395,068
Cost of goods sold	268,351	296,160
Personnel	171,552	172,426
Interest	115,586	115,340
Administrative	77,766	89,218
Fundraising - special events	7,098	15,136
	<u>1,043,614</u>	<u>1,083,348</u>
Total support and revenue	<u>1,065,717</u>	<u>1,205,947</u>
Total expenses	<u>1,043,614</u>	<u>1,083,348</u>
Increase in net assets	<u>22,103</u>	<u>122,599</u>
<b>Net Assets, Beginning, As Originally Reported for 2010</b>	642,280	787,487
<b>Restatement</b>	<u>-</u>	<u>(267,806)</u>
<b>Net Assets, Beginning, As Restated for 2010</b>	<u>642,280</u>	<u>519,681</u>
<b>Net Assets, Ending, As Restated for 2010</b>	<u>\$ 664,383</u>	<u>\$ 642,280</u>

See notes to financial statements

## St. Tikhon's Orthodox Theological Monastery

### Statement of Cash Flows

Years Ended December 31, 2011 and 2010

(See Independent Accountants' Review Report)

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 22,103	\$ 122,599
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	79,244	56,344
Gain on sale of asset	-	(48,500)
Net realized and unrealized losses (gains) on investments	5,493	(10,998)
Changes in assets and liabilities:		
Accounts receivable	(12,115)	(79,355)
Inventories	6,882	(76,087)
Prepaid expenses	(4,941)	(846)
Accounts payable	7,367	73,728
Payroll taxes payable	(3,482)	3,337
Deferred revenue	16,042	2,200
Accrued interest	8,904	-
Sales tax payable	34	(3,504)
Net cash provided by operating activities	<u>125,531</u>	<u>38,918</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	511,514	-
Purchase of investments	(210,491)	(295,518)
Purchase of property and equipment	(144,917)	(109,308)
Proceeds from sale of property and equipment	-	48,500
Net cash provided by (used in) investing activities	<u>156,106</u>	<u>(356,326)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	(77,491)	(77,778)
Proceeds from long-term debt	23,716	13,000
Net cash used in financing activities	<u>(53,775)</u>	<u>(64,778)</u>
Increase (decrease) in cash and cash equivalents	227,862	(382,186)
<b>Cash and Cash Equivalents, Beginning</b>	<u>64,449</u>	<u>446,635</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 292,311</u>	<u>\$ 64,449</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 106,682</u>	<u>\$ 115,340</u>

See notes to financial statements

# **St. Tikhon's Orthodox Monastery**

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Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

St. Tikhon's Orthodox Theological Monastery (the "Monastery") was founded in 1905 by St. Tikhon, Patriarch of Moscow.

The Monastery is a brotherhood of Orthodox Christian monks leading a life of prayer and repentance. The primary mission of the Monastery lies in providing the necessary theological, liturgical, spiritual, and moral foundations for its members.

The Monastery also owns and operates a cemetery. The Monastery sells the right to be buried on its land and this service is restricted to the Monastery's members and their relatives.

In addition, the Monastery operates a bookstore selling religious books and icons to customers throughout the world.

### **Subsequent Events**

The Monastery evaluated subsequent events for recognition or disclosure through August 6, 2012, the date the financial statements were available to be issued.

### **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 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 period. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

### **Accounts Receivable**

Accounts receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

### **Inventories**

Inventories consist primarily of religious books and icons available for sale. Inventories are valued at the lower of cost (first-in, first-out method) or market.



## **St. Tikhon's Orthodox Monastery**

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Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

### **Investments and Investment Risk**

Investments in marketable equity securities and mutual funds are carried at fair value based upon quoted market prices. The carrying amount of cash and money market funds approximates fair value based on the short-term nature of these investments.

Investment income or loss (including realized gains and losses on investments, unrealized gains or losses on other than trading securities, write-downs of the cost basis of investments due to other-than-temporary declines in fair value, interest, and dividends) is included in the statement of activities unless the income or loss is restricted by donor or law.

The Monastery's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### **Revenue Recognition**

Revenue from the sale of burial plots is recognized when funds are received. Accounting principles generally accepted in the United States of America require that a portion of the revenue received from the sale of cemetery property be deferred until interment services are performed, and that a portion of these revenues be deferred to recognize a liability for the perpetual care. The effect of these departures on the financial position, changes in net assets and cash flows of the Monastery have not been determined. Funds set aside for perpetual care are required to be held in a separate trust. Management has not established a separate trust account for these funds.

Bookstore revenue is recognized when the sale of merchandise occurs.

Revenue from Iconography projects is recognized when funds are received.

## **St. Tikhon's Orthodox Monastery**

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Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

### **Sales and Similar Taxes**

The Monastery collects sales and similar taxes imposed on nonexempt customers by various states. The Monastery's policy is to exclude the tax collected and remitted from sales and cost of sales.

### **Shipping and Handling Fees and Costs**

Inbound and outbound freight costs are included in cost of sales.

### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Monastery has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Monastery in perpetuity.

### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### **Collections of Religious Artifacts**

The Monastery has elected not to capitalize its collection of religious artifacts. These items include religious clothing, books, statues and related jewels. The Monastery protects and preserves these items. These items have lasting historical significance and, as such, appreciate with age. No appreciation has been provided for these items.

### **Income Taxes**

The Monastery is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Monastery accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2011 and 2010.

### **Reclassifications**

Certain reclassifications have been made to the 2010 financial statements in order to conform to the 2011 presentation.

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

### 2. Property and Equipment, Net

Property and equipment, net as of December 31, are as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 5,300	\$ 5,300
Buildings and improvements	2,726,647	2,620,021
Furniture	11,178	8,565
Equipment	22,179	12,620
Vehicles	86,794	61,112
	<u>2,852,098</u>	<u>2,707,618</u>
Total	2,852,098	2,707,618
Less accumulated depreciation	<u>1,300,343</u>	<u>1,221,536</u>
Property and equipment, net	<u>\$ 1,551,755</u>	<u>\$ 1,486,082</u>

Depreciation expense was \$79,244 in 2011 and \$56,344 in 2010.

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at December 31, 2010:

Money market	\$ 71,811
Marketable equity securities:	
Energy	61,475
Telecommunications	55,115
Medical	46,784
Electronics	27,898
Manufacturing	21,381
Business	18,952
Mutual funds	<u>3,100</u>
Total	<u>\$ 306,516</u>

In 2011, the Monastery sold all of its investments.

Investment income for cash and cash equivalents and investments is comprised of the following for the year ended December 31:

	<u>2011</u>	<u>2010</u>
Realized and unrealized gains (losses) on investments	\$ (5,493)	\$ 10,998
Interest and dividend income	<u>24,157</u>	<u>9,707</u>
Total	<u>\$ 18,664</u>	<u>\$ 20,705</u>

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy for disclosure of the inputs to valuation used to measure fair value prioritizes the inputs into three broad levels as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – 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; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 – Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Monastery's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2010 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 71,811	\$ 71,811	\$ -	\$ -
Marketable equity securities:				
Energy	61,475	61,475		
Telecommunications	55,115	55,115		
Medical	46,784	46,784		
Electronics	27,898	27,898		
Manufacturing	21,381	21,381		
Business	18,952	18,952		
Mutual funds	<u>3,100</u>	<u>3,100</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 306,516</u>	<u>\$ 306,516</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are measured at fair value using unadjusted quoted prices in active markets.

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

### 4. Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
<u>Monastery</u>		
<u>First Liberty Bank &amp; Trust</u>		
Installment loan, monthly payment of \$246 including interest at 5.09%, maturing November 2015; secured by vehicle	\$ 10,271	\$ 12,621
Installment loan, monthly payment of \$215 including interest at 10.04%, maturing April 2012; secured by vehicle	1,014	2,975
<u>Toyota Financial</u>		
Installment loan, monthly payment of \$429 including interest at 6.49%, maturing May 2017, secured by vehicle	23,317	-
<u>Bookstore</u>		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payment of \$8,000 including interest at 6.00%, until August 2014 with a balloon payment of approximately \$1,094,000 due September 2014; secured by real estate (Note 9)	1,171,049	1,193,868
Installment loan, monthly payment of \$622 including interest at 6.49%, maturing April 2015; secured by vehicle (Note 9)	22,278	28,005
Installment loan, monthly payment of \$2,945 including interest at 6.00%, maturing June 2013; secured by real estate (Note 9)	53,215	81,748
<u>Community Bank &amp; Trust</u>		
Installment loan, monthly payment of \$2,323 including interest at 7.00%, maturing July 2017; secured by real estate	131,009	146,711
Total	1,412,1533	1,465,928
Less current portion	94,184	85,076
Long-term debt	<u>\$ 1,317,969</u>	<u>\$ 1,380,852</u>

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

Scheduled principal repayments for periods subsequent to December 31, 2011 are as follows:

Years ending December 31:	<u>Amount</u>
2012	\$ 94,184
2013	83,518
2014	1,153,536
2015	34,030
2016	28,671
Thereafter	<u>18,214</u>
	1,412,153
Total	<u>\$ 3</u>

### 5. Functional Expenses

The Monastery provides theological teachings and services to individuals within its geographic area. Expenses related to providing these services are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Program services	\$ 959	\$ 979
General and administrative	78	89
Fundraising	<u>7</u>	<u>15</u>
Total	<u>\$ 1,044</u>	<u>\$ 1,083</u>

### 6. Related Party Transactions

The Monastery made payments to St. Tikhon's Orthodox Theological Seminary ("Seminary"), an entity related through church affiliation, of \$88,732 in 2011 and \$112,509 in 2010. These payments were expensed as follows: no contributions in 2011 and \$11,600 in 2010, health insurance reimbursement of \$63,364 in 2011 and \$45,584 in 2010, general insurance reimbursement of \$21,370 in 2011 and \$49,300 in 2010, and tuition fees of \$3,998 in 2011 and \$6,025 in 2010. There was no balance due to the Seminary at December 31, 2011 and 2010.

### 7. Contingencies

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Monastery qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

## **St. Tikhon's Orthodox Monastery**

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Notes to Financial Statements

December 31, 2011 and 2010

(See Independent Accountants' Review Report)

### **8. Concentrations**

The Monastery primarily maintains its cash and cash equivalents with financial institutions. The Monastery periodically has cash equivalents on deposit in excess of insured amounts.

### **9. Restatement**

The Monastery restated its 2010 financial statements to correct an error in recording the inventory at December 31, 2009. Complete physical inventories were not performed prior to 2011 and errors occurred in the valuation of the perpetual inventory and the amount of cost of goods sold that were relieved from inventory. The error related to the amount of cost of goods sold being relieved from inventory occurred because cost of goods sold were not properly recorded prior to 2010. These errors were not detected until complete physical inventories were performed in the current year. The financial statements for the year ended December 2010 reflect a decrease in beginning inventory of \$267,806 and a decrease in net assets of \$267,806 as of December 31, 2009.

There was no effect on the increase in net assets for 2010 as a result of the restatement.

There was no impact on cash flows from operating activities as a result of the restatement.

### **10. Subsequent Event**

In January 2012, the Monastery refinanced certain long-term debt with Honesdale National Bank. The amount of the loan was \$1,460,000 (Note 4). The term of the note requires monthly installments of \$9,126 including interest at 4.70% until March 2019, when the interest rate shall be adjusted to the current predominant New York rate plus 1.45%. The borrowings are secured by real estate.

## St. Tikhon's Orthodox Theological Monastery

Schedule of Financial Position by Department

December 31, 2011

(See Independent Accountants' Review Report)

<b>Assets</b>	<b>Monastery</b>	<b>Bookstore</b>	<b>Totals</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 274,113	\$ 18,198	\$ 292,311
Accounts receivable	-	91,470	91,470
Inventories	-	251,657	251,657
Prepaid expenses	-	5,787	5,787
Total current assets	274,113	367,112	641,225
<b>Property and Equipment, Net</b>	618,165	933,590	1,551,755
<b>Investments</b>	-	-	-
Total assets	<u>\$ 892,278</u>	<u>\$ 1,300,702</u>	<u>\$ 2,192,980</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 8,642	\$ 85,542	\$ 94,184
Accounts payable	25,966	61,787	87,753
Due (from) to department	(47,927)	47,927	-
Payroll taxes payable	-	867	867
Deferred revenue	-	18,242	18,242
Accrued interest	-	8,904	8,904
Sales tax payable	-	678	678
Total current liabilities	(13,319)	223,947	210,628
<b>Long-Term Debt</b>	25,960	1,292,009	1,317,969
Total liabilities	12,641	1,515,956	1,528,597
<b>Net Assets</b>			
Unrestricted	879,637	(215,254)	664,383
Total net assets	879,637	(215,254)	664,383
Total liabilities and net assets	<u>\$ 892,278</u>	<u>\$ 1,300,702</u>	<u>\$ 2,192,980</u>



## St. Tikhon's Orthodox Theological Monastery

Schedule of Financial Position by Department

December 31, 2010

(See Independent Accountants' Review Report)

<b>Assets</b>	<b>Monastery</b>	<b>Bookstore</b>	<b>Totals</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 40,365	\$ 24,084	\$ 64,449
Accounts receivable	-	79,355	79,355
Inventories	-	258,539	258,539
Prepaid expenses	-	846	846
Total current assets	40,365	362,824	403,189
<b>Property and Equipment, Net</b>	508,506	977,576	1,486,082
<b>Investments</b>	306,516	-	306,516
Total assets	<u>\$ 855,387</u>	<u>\$ 1,340,400</u>	<u>\$ 2,195,787</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 4,714	\$ 80,362	\$ 85,076
Accounts payable	15,012	65,374	80,386
Due (from) to department	(28,484)	28,484	-
Payroll taxes payable	-	4,349	4,349
Deferred revenue	-	2,200	2,200
Sales tax payable	-	644	644
Total current liabilities	(8,758)	181,413	172,655
<b>Long-Term Debt</b>	10,882	1,369,970	1,380,852
Total liabilities	<u>2,124</u>	<u>1,551,383</u>	<u>1,553,507</u>
<b>Net Assets</b>			
Unrestricted	853,263	(210,983)	642,280
Total net assets	<u>853,263</u>	<u>(210,983)</u>	<u>642,280</u>
Total liabilities and net assets	<u>\$ 855,387</u>	<u>\$ 1,340,400</u>	<u>\$ 2,195,787</u>

## St. Tikhon's Orthodox Theological Monastery

Schedule of Activities by Department

Year Ended December 31, 2011

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 529,114	\$ 529,114
Contributions	382,500		382,500
Iconography projects	-	57,540	57,540
Cemetery plots	32,518	-	32,518
Activities	19,252	-	19,252
Investment income	18,642	22	18,664
Bequests	15,000	-	15,000
Assessment and dues	11,129	-	11,129
	<u>479,041</u>	<u>586,676</u>	<u>1,065,717</u>
Total support and revenue			
<b>Expenses</b>			
Operating	240,099	163,162	403,261
Cost of goods sold	-	268,351	268,351
Personnel	130,793	40,759	171,552
Interest	15,572	100,014	115,586
Administrative	59,531	18,235	77,766
Fundraising - special events	6,673	425	7,098
	<u>452,668</u>	<u>590,946</u>	<u>1,043,614</u>
Total expenses			
Increase (decrease) in net assets	<u>\$ 26,373</u>	<u>\$ (4,270)</u>	<u>\$ 22,103</u>

## St. Tikhon's Orthodox Theological Monastery

Schedule of Activities by Department

Year Ended December 31, 2010

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 619,286	\$ 619,286
Contributions	313,769		313,769
Iconography projects	-	101,300	101,300
Gain on sale of asset	48,500	-	48,500
Cemetery plots	46,400	-	46,400
Investment income	20,671	34	20,705
Bequests	20,692	-	20,692
Activities	18,583	-	18,583
Assessment and dues	9,680	-	9,680
Miscellaneous	7,032	-	7,032
	<u>485,327</u>	<u>720,620</u>	<u>1,205,947</u>
Total support and revenue			
<b>Expenses</b>			
Operating	227,052	168,016	395,068
Cost of goods sold	-	296,160	296,160
Personnel	123,160	49,266	172,426
Interest	13,845	101,495	115,340
Administrative	47,871	41,347	89,218
Fundraising - special events	14,430	706	15,136
	<u>426,358</u>	<u>656,990</u>	<u>1,083,348</u>
Total expenses			
Increase in net assets	<u>\$ 58,969</u>	<u>\$ 63,630</u>	<u>\$ 122,599</u>

## St. Tikhon's Orthodox Theological Monastery

### Schedule of Operating, Personnel, and Administrative Expenses by Department

Year Ended December 31, 2011

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Iconography projects	\$ -	\$ 88,503	\$ 88,503
Utilities	57,438	11,396	68,834
Depreciation	31,980	47,264	79,244
Repairs and maintenance	35,855	943	36,798
Liturgical	31,076	-	31,076
Insurance	18,000	5,884	23,884
Contributions and stipends	22,574	-	22,574
Supplies	16,036	4,040	20,076
Equipment	13,247	-	13,247
Cemetery costs	10,710	-	10,710
Telephone	3,183	5,132	8,315
	<u>\$ 240,099</u>	<u>\$ 163,162</u>	<u>\$ 403,261</u>
Total operating			
	<u>\$ 240,099</u>	<u>\$ 163,162</u>	<u>\$ 403,261</u>
<b>Personnel</b>			
Health insurance	\$ 70,215	\$ -	\$ 70,215
Maintenance and support	60,578	-	60,578
Salary and wages	-	38,096	38,096
Payroll taxes	-	2,663	2,663
	<u>\$ 130,793</u>	<u>\$ 40,759</u>	<u>\$ 171,552</u>
Total personnel			
	<u>\$ 130,793</u>	<u>\$ 40,759</u>	<u>\$ 171,552</u>
<b>Administrative</b>			
Automobile	\$ 23,604	\$ 1,358	\$ 24,962
Office supplies	21,060	1,483	22,543
Professional fees	6,895	4,155	11,050
Salary and wages	-	9,649	9,649
Supplies	7,972	-	7,972
Advertising	-	852	852
Payroll taxes	-	738	738
	<u>\$ 59,531</u>	<u>\$ 18,235</u>	<u>\$ 77,766</u>
Total administrative			
	<u>\$ 59,531</u>	<u>\$ 18,235</u>	<u>\$ 77,766</u>

## St. Tikhon's Orthodox Theological Monastery

### Schedule of Operating, Personnel, and Administrative Expenses by Department

Year Ended December 31, 2010

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Iconography projects	\$ -	\$ 66,715	\$ 66,715
Utilities	57,024	8,144	65,168
Depreciation	9,929	46,415	56,344
Insurance	21,000	28,300	49,300
Repairs and maintenance	40,783	2,004	42,787
Contributions and stipends	33,693	6,220	39,913
Liturgical	26,586	-	26,586
Equipment	14,623	-	14,623
Supplies	10,440	2,771	13,211
Telephone	2,949	7,447	10,396
Cemetery costs	10,025	-	10,025
	<u>\$ 227,052</u>	<u>\$ 168,016</u>	<u>\$ 395,068</u>
Total operating			
	<u>\$ 227,052</u>	<u>\$ 168,016</u>	<u>\$ 395,068</u>
<b>Personnel</b>			
Maintenance and support	\$ 64,258	\$ -	\$ 64,258
Health insurance	58,902	3,861	62,763
Salary and wages	-	42,397	42,397
Payroll taxes	-	3,008	3,008
	<u>-</u>	<u>3,008</u>	<u>3,008</u>
Total personnel	<u>\$ 123,160</u>	<u>\$ 49,266</u>	<u>\$ 172,426</u>
	<u>\$ 123,160</u>	<u>\$ 49,266</u>	<u>\$ 172,426</u>
<b>Administrative</b>			
Office supplies	\$ 20,209	\$ 21,727	\$ 41,936
Automobile	14,002	9,245	23,247
Supplies	13,325	-	13,325
Salary and wages	-	6,698	6,698
Professional fees	335	1,771	2,106
Advertising	-	1,394	1,394
Payroll taxes	-	512	512
	<u>-</u>	<u>512</u>	<u>512</u>
Total administrative	<u>\$ 47,871</u>	<u>\$ 41,347</u>	<u>\$ 89,218</u>

# **St. Tikhon's Orthodox Monastery**

Financial Statements and  
Supplementary Information

December 31, 2012 and 2011

# **St. Tikhon's Orthodox Monastery**

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## **Independent Accountants' Review Report**

**Board of Directors  
St. Tikhon's Orthodox Monastery**

We have reviewed the accompanying statement of financial position of St. Tikhon's Orthodox Monastery (the "Monastery") as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Monastery's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, except as noted in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 1 to the financial statements, accounting principles generally accepted in the United States of America require that a portion of the revenue from the sale of cemetery property be deferred until the interment services are performed, and that a portion of these revenues be deferred to recognize a liability for the perpetual care. Management has informed us that revenue from the sale of cemetery property is recognized when received. The effect of this departure from accounting principles generally accepted in the United States of America on the financial position, changes in net assets, and cash flows have not been determined.



Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information in the accompanying schedules on pages 12 to 17 is presented only for purposes of additional analysis, and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and, except for the matter described in the fifth paragraph of our report, we are not aware of any material modifications that should be made thereto.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
September 6, 2013

## St. Tikhon's Orthodox Theological Monastery

### Statement of Financial Position

December 31, 2012 and 2011

(See Independent Accountants' Review Report)

<b>Assets</b>	<b>2012</b>	<b>2011</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 352,607	\$ 292,311
Accounts receivable	45,806	91,470
Inventories	340,541	251,657
Prepaid expenses and current assets	57,628	5,787
<b>Total current assets</b>	<b>796,582</b>	<b>641,225</b>
<b>Property and Equipment, Net</b>	<b>1,700,638</b>	<b>1,551,755</b>
<b>Deferred Financing Costs, Net</b>	<b>15,906</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 2,513,126</b>	<b>\$ 2,192,980</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 56,665	\$ 94,184
Accounts payable	43,306	87,753
Payroll taxes payable	1,213	867
Deferred revenue	18,263	18,242
Customer deposit	11,500	-
Accrued interest	5,033	8,904
Sales tax payable	504	678
<b>Total current liabilities</b>	<b>136,484</b>	<b>210,628</b>
<b>Long-Term Debt</b>	<b>1,349,986</b>	<b>1,317,969</b>
<b>Total liabilities</b>	<b>1,486,470</b>	<b>1,528,597</b>
<b>Net Assets</b>		
Unrestricted	1,026,656	664,383
<b>Total net assets</b>	<b>1,026,656</b>	<b>664,383</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,513,126</b>	<b>\$ 2,192,980</b>

See notes to financial statements

# St. Tikhon's Orthodox Theological Monastery

## Statement of Activities

Years Ended December 31, 2012 and 2011

(See Independent Accountants' Review Report)

<b>Changes in Unrestricted Net Assets</b>	<b>2012</b>	<b>2011</b>
<b>Support and Revenue</b>		
Contributions	\$ 788,325	\$ 382,500
Bookstore	489,647	529,114
Iconography projects	53,154	57,540
Cemetery plots	51,193	32,518
Activities	47,893	19,252
Assessment and dues	12,761	11,129
Bequests	5,000	15,000
Investment income	49	18,664
	<hr/>	<hr/>
Total support and revenue	1,448,022	1,065,717
	<hr/>	<hr/>
<b>Expenses</b>		
Operating	504,998	403,261
Personnel	198,472	171,552
Cost of goods sold	168,678	268,351
Interest	99,820	115,586
Administrative	97,177	77,766
Fundraising - special events	16,604	7,098
	<hr/>	<hr/>
Total expenses	1,085,749	1,043,614
	<hr/>	<hr/>
Increase in net assets	362,273	22,103
	<hr/>	<hr/>
<b>Net Assets, Beginning</b>	664,383	642,280
	<hr/>	<hr/>
<b>Net Assets, Ending</b>	\$ 1,026,656	\$ 664,383
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements

## St. Tikhon's Orthodox Theological Monastery

### Statement of Cash Flows

Years Ended December 31, 2012 and 2011

(See Independent Accountants' Review Report)

	2012	2011
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 362,273	\$ 22,103
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	90,303	79,244
Net realized and unrealized losses on investments	-	5,493
Changes in assets and liabilities:		
Accounts receivable	45,664	(12,115)
Inventories	(88,884)	6,882
Prepaid expenses	(51,841)	(4,941)
Accounts payable	(44,447)	7,367
Payroll taxes payable	346	(3,482)
Deferred revenue	21	16,042
Customer deposit	11,500	-
Accrued interest	5,033	8,904
Sales tax payable	(174)	34
<b>Net cash provided by operating activities</b>	<b>329,794</b>	<b>125,531</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(238,349)	(144,917)
Proceeds from sale of investments	-	511,514
Purchase of investments	-	(210,491)
<b>Net cash (used in) provided by investing activities</b>	<b>(238,349)</b>	<b>156,106</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	(60,230)	(77,491)
Proceeds from long-term debt	29,081	23,716
<b>Net cash used in financing activities</b>	<b>(31,149)</b>	<b>(53,775)</b>
<b>Increase in cash and cash equivalents</b>	<b>60,296</b>	<b>227,862</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>292,311</b>	<b>64,449</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 352,607</b>	<b>\$ 292,311</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	\$ 113,409	\$ 106,682
<b>Supplemental Disclosure of Noncash Operating Activities</b>		
Accrued interest paid with refinancing	\$ 8,904	\$ -
<b>Supplemental Disclosure of Noncash Investing Activities</b>		
Deferred financing costs paid with refinancing	\$ 16,743	\$ -
<b>Supplemental Disclosure of Noncash Financing Activities</b>		
Long-term debt refinanced	\$ 1,355,273	\$ -

See notes to financial statements

# **St. Tikhon's Orthodox Monastery**

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## **Notes to Financial Statements**

December 31, 2012 and 2011

(See Independent Accountants' Review Report)

### **1. Nature of Operations and Summary of Significant Accounting Policies**

#### **Nature of Operations**

St. Tikhon's Orthodox Theological Monastery (the "Monastery") was founded in 1905 by St. Tikhon, Patriarch of Moscow.

The Monastery is a brotherhood of Orthodox Christian monks leading a life of prayer and repentance. The primary mission of the Monastery lies in providing the necessary theological, liturgical, spiritual, and moral foundations for its members.

The Monastery also owns and operates a cemetery. The Monastery sells the right to be buried on its land and this service is restricted to the Monastery's members and their relatives.

In addition, the Monastery operates a bookstore selling religious books and icons to customers throughout the world.

#### **Subsequent Events**

The Monastery evaluated subsequent events for recognition or disclosure through September 6, 2013, the date the financial statements were available to be issued.

#### **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 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 period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

#### **Accounts Receivable**

Accounts receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

#### **Inventories**

Inventories consist primarily of religious books and icons available for sale. Inventories are valued at the lower of cost (first-in, first-out method) or market.

# **St. Tikhon's Orthodox Monastery**

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## **Notes to Financial Statements**

December 31, 2012 and 2011

(See Independent Accountants' Review Report)

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### **Revenue Recognition**

Revenue from the sale of burial plots is recognized when funds are received. Accounting principles generally accepted in the United States of America require that a portion of the revenue received from the sale of cemetery property be deferred until interment services are performed, and that a portion of these revenues be deferred to recognize a liability for the perpetual care. The effect of these departures on the financial position, changes in net assets and cash flows of the Monastery have not been determined. Funds set aside for perpetual care are required to be held in a separate trust. Management has not established a separate trust account for these funds.

Bookstore revenue is recognized when the sale of merchandise occurs.

Revenue from Iconography projects is recognized when funds are received.

### **Sales and Similar Taxes**

The Monastery collects sales and similar taxes imposed on nonexempt customers by various states. The Monastery's policy is to exclude the tax collected and remitted from sales and cost of sales.

### **Shipping and Handling Fees and Costs**

Inbound and outbound freight costs are included in cost of sales.

### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Monastery has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Monastery in perpetuity.

# **St. Tikhon's Orthodox Monastery**

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Notes to Financial Statements

December 31, 2012 and 2011

(See Independent Accountants' Review Report)

## **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## **Collections of Religious Artifacts**

The Monastery has elected not to capitalize its collection of religious artifacts. These items include religious clothing, books, statues and related jewels. The Monastery protects and preserves these items. These items have lasting historical significance and, as such, appreciate with age. No appreciation has been provided for these items.

## **Deferred Financing Costs, Net**

In 2012, the Monastery refinanced a portion of its long-term debt. Deferred financing costs are amortized using the straight-line method over the term of the related debt. Amortization expense was \$837 in 2012. This amount is reported net of accumulated amortization of \$837 at December 31, 2012.

## **Income Taxes**

The Monastery is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Monastery accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2012 and 2011.

## St. Tikhon's Orthodox Monastery

### Notes to Financial Statements

December 31, 2012 and 2011

(See Independent Accountants' Review Report)

## 2. Property and Equipment, Net

Property and equipment, net as of December 31, are as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 5,300	\$ 5,300
Buildings and improvements	2,958,895	2,726,647
Furniture	11,178	11,178
Equipment	22,179	22,179
Vehicles	<u>86,838</u>	<u>86,794</u>
Total	3,084,390	2,852,098
Less accumulated depreciation	<u>1,383,752</u>	<u>1,300,343</u>
Property and equipment, net	<u>\$ 1,700,638</u>	<u>\$ 1,551,755</u>

Depreciation expense was \$89,466 in 2012 and \$79,244 in 2011.

## 3. Investments and Fair Value Measurements

Investment income for cash and cash equivalents and investments is comprised of the following for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Realized losses on investments	\$ -	\$ (5,493)
Interest and dividend income	<u>49</u>	<u>24,157</u>
Total	<u>\$ 49</u>	<u>\$ 18,664</u>



## St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2012 and 2011

(See Independent Accountants' Review Report)

### 4. Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
<u>Monastery</u>		
<u>Toyota Financial</u>		
Installment loan, monthly payment of \$429 including interest at 6.49%, maturing May 2017, secured by vehicle	\$ 20,052	\$ 23,317
<u>Bookstore</u>		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payment of \$9,126 including interest at 4.70% for 84 months then adjusting to the prime rate plus 1.45%, maturing January 2032; secured by real estate	1,370,500	-
Installment loan, monthly payment of \$622 including interest at 6.49%, maturing April 2015; secured by vehicle	16,099	22,278
Loans refinanced in 2012		1,355,273
Loans paid off in 2012	-	11,285
Total	1,406,651	1,412,153
Less current portion	56,665	94,184
Long-term debt	<u>\$ 1,349,986</u>	<u>\$ 1,317,969</u>

Scheduled principal repayments for periods subsequent to December 31, 2012 are as follows:

Years ending December 31:	
2013	\$ 56,665
2014	59,586
2015	57,547
2016	57,859
2017	58,105
Thereafter	<u>1,116,889</u>
Total	<u>\$ 1,406,651</u>

## St. Tikhon's Orthodox Monastery

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Notes to Financial Statements

December 31, 2012 and 2011

(See Independent Accountants' Review Report)

### 5. Functional Expenses

The Monastery provides theological teachings and services to individuals within its geographic area. Expenses related to providing these services are as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Program services	\$ 972	\$ 959
General and administrative	97	78
Fundraising	<u>17</u>	<u>7</u>
Total	<u>\$ 1,086</u>	<u>\$ 1,044</u>

### 6. Related Party Transactions

The Monastery made payments to St. Tikhon's Orthodox Theological Seminary ("Seminary"), an entity related through church affiliation, of \$102,606 in 2012 and \$88,732 in 2011. These payments were expensed as follows: contributions of \$35,000 in 2012 and no contributions in 2011, health insurance reimbursement of \$36,231 in 2012 and \$63,364 in 2011, general insurance reimbursement of \$31,210 in 2012 and \$21,370 in 2011, and tuition fees of \$165 in 2012 and \$3,998 in 2011. There was no balance due to the Seminary at December 31, 2012 and 2011.

### 7. Contingencies

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Monastery qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

### 8. Concentrations

Amounts on deposit with any one financial institution are insured up to the Federal Deposit Insurance Corporation limits. The Monastery periodically has cash and cash equivalents on deposit in excess of insured amounts.

## St. Tikhon's Orthodox Theological Monastery

Schedule of Financial Position by Department

December 31, 2012

(See Independent Accountants' Review Report)

<b>Assets</b>	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 343,983	\$ 8,624	\$ 352,607
Accounts receivable	-	45,806	45,806
Inventories	-	340,541	340,541
Prepaid expenses and current assets	-	57,628	57,628
Total current assets	343,983	452,599	796,582
<b>Property and Equipment, Net</b>	816,118	884,520	1,700,638
<b>Deferred Financing Costs, Net</b>	-	15,906	15,906
Total assets	<u>\$ 1,160,101</u>	<u>\$ 1,353,025</u>	<u>\$ 2,513,126</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 3,968	\$ 52,697	\$ 56,665
Accounts payable	4,916	38,390	43,306
Due (from) to department	(101,152)	101,152	-
Payroll taxes payable	-	1,213	1,213
Deferred revenue	-	18,263	18,263
Customer deposit	-	11,500	11,500
Accrued interest	-	5,033	5,033
Sales tax payable	-	504	504
Total current liabilities	(92,268)	228,752	136,484
<b>Long-Term Debt</b>	16,084	1,333,902	1,349,986
Total liabilities	<u>(76,184)</u>	<u>1,562,654</u>	<u>1,486,470</u>
<b>Net Assets</b>			
Unrestricted	1,236,285	(209,629)	1,026,656
Total net assets	1,236,285	(209,629)	1,026,656
Total liabilities and net assets	<u>\$ 1,160,101</u>	<u>\$ 1,353,025</u>	<u>\$ 2,513,126</u>

# St. Tikhon's Orthodox Theological Monastery

## Schedule of Financial Position by Department

December 31, 2011

(See Independent Accountants' Review Report)

<b>Assets</b>	<b>Monastery</b>	<b>Bookstore</b>	<b>Totals</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 274,113	\$ 18,198	\$ 292,311
Accounts receivable	-	91,470	91,470
Inventories	-	251,657	251,657
Prepaid expenses	-	5,787	5,787
Total current assets	274,113	367,112	641,225
<b>Property and Equipment, Net</b>	<b>618,165</b>	<b>933,590</b>	<b>1,551,755</b>
Total assets	<u>\$ 892,278</u>	<u>\$ 1,300,702</u>	<u>\$ 2,192,980</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 8,642	\$ 85,542	\$ 94,184
Accounts payable	25,966	61,787	87,753
Due (from) to department	(47,927)	47,927	-
Payroll taxes payable	-	867	867
Deferred revenue	-	18,242	18,242
Accrued interest	-	8,904	8,904
Sales tax payable	-	678	678
Total current liabilities	(13,319)	223,947	210,628
<b>Long-Term Debt</b>	<b>25,960</b>	<b>1,292,009</b>	<b>1,317,969</b>
Total liabilities	<u>12,641</u>	<u>1,515,956</u>	<u>1,528,597</u>
<b>Net Assets</b>			
Unrestricted	879,637	(215,254)	664,383
Total net assets	<u>879,637</u>	<u>(215,254)</u>	<u>664,383</u>
Total liabilities and net assets	<u>\$ 892,278</u>	<u>\$ 1,300,702</u>	<u>\$ 2,192,980</u>

## St. Tikhon's Orthodox Theological Monastery

### Schedule of Activities by Department

Year Ended December 31, 2012

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Contributions	\$ 788,325	\$ -	\$ 788,325
Bookstore	-	489,647	489,647
Iconography projects	-	53,154	53,154
Cemetery plots	51,193	-	51,193
Activities	47,893	-	47,893
Assessment and dues	12,761	-	12,761
Bequests	5,000	-	5,000
Investment income	38	11	49
	<u>905,210</u>	<u>542,812</u>	<u>1,448,022</u>
Total support and revenue	<u>905,210</u>	<u>542,812</u>	<u>1,448,022</u>
<b>Expenses</b>			
Operating	311,259	193,739	504,998
Cost of goods sold	-	168,678	168,678
Personnel	137,121	61,351	198,472
Interest	12,158	87,662	99,820
Administrative	72,440	24,737	97,177
Fundraising - special events	15,584	1,020	16,604
	<u>548,562</u>	<u>537,187</u>	<u>1,085,749</u>
Total expenses	<u>548,562</u>	<u>537,187</u>	<u>1,085,749</u>
Increase in net assets	<u>\$ 356,648</u>	<u>\$ 5,625</u>	<u>\$ 362,273</u>

## St. Tikhon's Orthodox Theological Monastery

### Schedule of Activities by Department

Year Ended December 31, 2011

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 529,114	\$ 529,114
Contributions	382,500		382,500
Iconography projects	-	57,540	57,540
Cemetery plots	32,518	-	32,518
Activities	19,252	-	19,252
Investment income	18,642	22	18,664
Bequests	15,000	-	15,000
Assessment and dues	11,129	-	11,129
	<u>479,041</u>	<u>586,676</u>	<u>1,065,717</u>
<b>Expenses</b>			
Operating	240,099	163,162	403,261
Cost of goods sold	-	268,351	268,351
Personnel	130,793	40,759	171,552
Interest	15,572	100,014	115,586
Administrative	59,531	18,235	77,766
Fundraising - special events	6,673	425	7,098
	<u>452,668</u>	<u>590,946</u>	<u>1,043,614</u>
	<u>\$ 26,373</u>	<u>\$ (4,270)</u>	<u>\$ 22,103</u>

## St. Tikhon's Orthodox Theological Monastery

### Schedule of Operating, Personnel, and Administrative Expenses by Department

Year Ended December 31, 2012

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Contributions and stipends	\$ 91,898	\$ 2,750	\$ 94,648
Iconography projects	-	94,447	94,447
Depreciation	40,396	49,908	90,304
Repairs and maintenance	63,316	2,161	65,477
Utilities	48,700	7,573	56,273
Insurance	2,709	28,500	31,209
Liturgical	25,646	-	25,646
Equipment	20,171	-	20,171
Supplies	10,240	3,339	13,579
Telephone	4,923	5,061	9,984
Cemetery costs	3,260	-	3,260
	<u>\$ 311,259</u>	<u>\$ 193,739</u>	<u>\$ 504,998</u>
<b>Personnel</b>			
Health insurance	\$ 69,064	\$ -	\$ 69,064
Maintenance and support	68,057	-	68,057
Salary and wages	-	58,566	58,566
Payroll taxes	-	2,785	2,785
	<u>\$ 137,121</u>	<u>\$ 61,351</u>	<u>\$ 198,472</u>
<b>Administrative</b>			
Automobile	\$ 28,626	\$ 227	\$ 28,853
Professional fees	13,780	8,063	21,843
Travel	18,587	-	18,587
Office supplies	11,447	7,115	18,562
Salary and wages	-	8,113	8,113
Payroll taxes	-	738	738
Advertising	-	481	481
	<u>\$ 72,440</u>	<u>\$ 24,737</u>	<u>\$ 97,177</u>

## St. Tikhon's Orthodox Theological Monastery

### Schedule of Operating, Personnel, and Administrative Expenses by Department

Year Ended December 31, 2011

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Iconography projects	\$ -	\$ 88,503	\$ 88,503
Depreciation	31,980	47,264	79,244
Utilities	57,438	11,396	68,834
Repairs and maintenance	35,855	943	36,798
Liturgical	31,076	-	31,076
Insurance	18,000	5,884	23,884
Contributions and stipends	22,574	-	22,574
Supplies	16,036	4,040	20,076
Equipment	15,207	-	15,207
Cemetery costs	8,750	-	8,750
Telephone	3,183	5,132	8,315
	<u>3,183</u>	<u>5,132</u>	<u>8,315</u>
<b>Total operating</b>	<u>\$ 240,099</u>	<u>\$ 163,162</u>	<u>\$ 403,261</u>
<b>Personnel</b>			
Health insurance	\$ 70,215	\$ -	\$ 70,215
Maintenance and support	60,578	-	60,578
Salary and wages	-	38,096	38,096
Payroll taxes	-	2,663	2,663
	<u>-</u>	<u>2,663</u>	<u>2,663</u>
<b>Total personnel</b>	<u>\$ 130,793</u>	<u>\$ 40,759</u>	<u>\$ 171,552</u>
<b>Administrative</b>			
Automobile	\$ 23,604	\$ 1,358	\$ 24,962
Office supplies	21,060	1,483	22,543
Professional fees	6,895	4,155	11,050
Salary and wages	-	9,649	9,649
Travel	7,972	-	7,972
Advertising	-	852	852
Payroll taxes	-	738	738
	<u>-</u>	<u>738</u>	<u>738</u>
<b>Total administrative</b>	<u>\$ 59,531</u>	<u>\$ 18,235</u>	<u>\$ 77,766</u>



# **St. Tikhon's Orthodox Monastery**

Financial Statements and  
Supplementary Information

December 31, 2013 and 2012



# **St. Tikhon's Orthodox Monastery**

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December 31, 2013 and 2012

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## Independent Accountants' Review Report

Board of Directors  
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying statement of financial position of St. Tikhon's Orthodox Monastery (the "Monastery") as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Monastery's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 1 to the financial statements, accounting principles generally accepted in the United States of America require that a portion of the revenue from the sale of cemetery property be deferred until the interment services are performed, and that a portion of these revenues be deferred to recognize a liability for the perpetual care. Management has informed us that revenue from the sale of cemetery property is recognized when received. The effects of this departure from accounting principles generally accepted in the United States of America on the financial position, changes in net assets, and cash flows have not been determined.

Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information in the accompanying schedules on pages 11 to 16 is presented only for purposes of additional analysis, and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and, except for the matter described in the fifth paragraph of our report, we are not aware of any material modifications that should be made thereto.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
May 30, 2014

## St. Tikhon's Orthodox Monastery

### Statement of Financial Position

December 31, 2013 and 2012

(See Independent Accountants' Review Report)

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 316,055	\$ 352,607
Accounts receivable	49,453	45,806
Inventories	342,742	340,541
Prepaid expenses and current assets	<u>3,181</u>	<u>57,628</u>
Total current assets	711,431	796,582
<b>Property and Equipment, Net</b>	1,682,109	1,700,638
<b>Deferred Financing Costs, Net</b>	<u>15,069</u>	<u>15,906</u>
Total assets	<u><u>\$ 2,408,609</u></u>	<u><u>\$ 2,513,126</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 59,543	\$ 56,665
Accounts payable	34,942	43,306
Payroll taxes payable	1,793	1,213
Deferred revenue	843	18,263
Customer deposit	-	11,500
Accrued interest	3,767	5,033
Sales tax payable	<u>960</u>	<u>504</u>
Total current liabilities	101,848	136,484
<b>Long-Term Debt</b>	<u>1,291,336</u>	<u>1,349,986</u>
Total liabilities	<u>1,393,184</u>	<u>1,486,470</u>
<b>Net Assets</b>		
Unrestricted	<u>1,015,425</u>	<u>1,026,656</u>
Total net assets	<u>1,015,425</u>	<u>1,026,656</u>
Total liabilities and net assets	<u><u>\$ 2,408,609</u></u>	<u><u>\$ 2,513,126</u></u>

See notes to financial statements

## St. Tikhon's Orthodox Monastery

### Statement of Activities

Years Ended December 31, 2013 and 2012

(See Independent Accountants' Review Report)

	<u>2013</u>	<u>2012</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Bookstore	\$ 567,441	\$ 489,647
Contributions	325,392	788,325
Cemetery plots	57,421	51,193
Activities	50,245	47,893
Bequests	16,328	5,000
Assessment and dues	11,198	12,761
Iconography projects	2,750	53,154
Investment income	1,265	49
	<u>1,032,040</u>	<u>1,448,022</u>
<b>Expenses</b>		
Operating	386,547	504,998
Cost of goods sold	236,858	168,678
Personnel	219,727	198,472
Administrative	93,171	97,177
Interest	93,513	99,820
Fundraising - special events	13,455	16,604
	<u>1,043,271</u>	<u>1,085,749</u>
Total support and revenue	<u>1,032,040</u>	<u>1,448,022</u>
Total expenses	<u>1,043,271</u>	<u>1,085,749</u>
(Decrease) increase in net assets	(11,231)	362,273
<b>Net Assets, Beginning</b>	<u>1,026,656</u>	<u>664,383</u>
<b>Net Assets, Ending</b>	<u><u>\$ 1,015,425</u></u>	<u><u>\$ 1,026,656</u></u>

See notes to financial statements

## St. Tikhon's Orthodox Monastery

### Statement of Cash Flows

Years Ended December 31, 2013 and 2012

(See Independent Accountants' Review Report)

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (11,231)	\$ 362,273
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	98,210	90,303
Changes in assets and liabilities:		
Accounts receivable	(3,647)	45,664
Inventories	(2,201)	(88,884)
Prepaid expenses and current assets	54,447	(51,841)
Accounts payable	(8,364)	(44,447)
Payroll taxes payable	580	346
Deferred revenue	(17,420)	21
Customer deposit	(11,500)	11,500
Accrued interest	(1,266)	5,033
Sales tax payable	456	(174)
	<u>98,064</u>	<u>329,794</u>
Net cash provided by operating activities	<u>98,064</u>	<u>329,794</u>
<b>Cash Flows used in Investing Activities</b>		
Purchase of property and equipment	<u>(78,844)</u>	<u>(238,349)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	(55,772)	(60,230)
Proceeds from long-term debt	<u>-</u>	<u>29,081</u>
	<u>(55,772)</u>	<u>(31,149)</u>
Net cash used in financing activities	<u>(55,772)</u>	<u>(31,149)</u>
(Decrease) increase in cash and cash equivalents	(36,552)	60,296
<b>Cash and Cash Equivalents, Beginning</b>	<u>352,607</u>	<u>292,311</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 316,055</u>	<u>\$ 352,607</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 94,779</u>	<u>\$ 113,409</u>
<b>Supplemental Disclosure of Noncash Operating Activities</b>		
Accrued interest paid with refinancing	<u>\$ -</u>	<u>\$ 8,904</u>
<b>Supplemental Disclosure of Noncash Investing Activities</b>		
Deferred financing costs paid with refinancing	<u>\$ -</u>	<u>\$ 16,743</u>
<b>Supplemental Disclosure of Noncash Financing Activities</b>		
Long-term debt refinanced	<u>\$ -</u>	<u>\$ 1,355,273</u>

See notes to financial statements

# **St. Tikhon's Orthodox Monastery**

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Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Accountants' Review Report)

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

St. Tikhon's Orthodox Theological Monastery (the "Monastery") was founded in 1905 by St. Tikhon, Patriarch of Moscow.

The Monastery is a brotherhood of Orthodox Christian monks leading a life of prayer and repentance. The primary mission of the Monastery lies in providing the necessary theological, liturgical, spiritual, and moral foundations for its members.

The Monastery also owns and operates a cemetery. The Monastery sells the right to be buried on its land and this service is restricted to the Monastery's members and their relatives.

In addition, the Monastery operates a bookstore selling religious books and icons to customers throughout the world.

### **Subsequent Events**

The Monastery evaluated subsequent events for recognition or disclosure through May 30, 2014, the date the financial statements were available to be issued.

### **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 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 period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

### **Accounts Receivable**

Accounts receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

### **Inventories**

Inventories consist primarily of religious books and icons available for sale. Inventories are valued at the lower of cost (first-in, first-out method) or market.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset.



## **St. Tikhon's Orthodox Monastery**

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Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Accountants' Review Report)

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### **Revenue Recognition**

Revenue from the sale of burial plots is recognized when funds are received. Accounting principles generally accepted in the United States of America require that a portion of the revenue received from the sale of cemetery property be deferred until interment services are performed, and that a portion of these revenues be deferred to recognize a liability for the perpetual care. The effect of these departures on the financial position, changes in net assets and cash flows of the Monastery have not been determined. Funds set aside for perpetual care are required to be held in a separate trust. Management has not established a separate trust account for these funds.

Bookstore revenue is recognized when the sale of merchandise occurs.

Revenue from Iconography projects is recognized when funds are received.

### **Sales and Similar Taxes**

The Monastery collects sales and similar taxes imposed on nonexempt customers by various states. The Monastery's policy is to exclude the tax collected and remitted from sales and cost of sales.

### **Shipping and Handling Fees and Costs**

Inbound and outbound freight costs are included in cost of sales.

### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Monastery has been limited by donors to a specific time period or purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Monastery in perpetuity.

### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## St. Tikhon's Orthodox Monastery

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Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Accountants' Review Report)

### Collections of Religious Artifacts

The Monastery has elected not to capitalize its collection of religious artifacts. These items include religious clothing, books, statues and related jewels. The Monastery protects and preserves these items. These items have lasting historical significance and, as such, appreciate with age. No appreciation has been provided for these items.

### Deferred Financing Costs, Net

In 2012, the Monastery refinanced a portion of its long-term debt. Deferred financing costs are amortized using the straight-line method over the term of the related debt. Amortization expense was \$837 in 2013 and 2012. This amount is reported net of accumulated amortization of \$1,674 in 2013 and \$837 in 2012.

### Income Taxes

The Monastery is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Monastery accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2013 and 2012.

## 2. Property and Equipment, Net

Property and equipment, net as of December 31 are as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 5,300	\$ 5,300
Buildings and improvements	3,032,911	2,958,895
Furniture	11,178	11,178
Equipment	23,108	22,179
Vehicles	<u>83,765</u>	<u>86,838</u>
Total	3,156,262	3,084,390
Less accumulated depreciation	<u>1,474,153</u>	<u>1,383,752</u>
Property and equipment, net	<u>\$ 1,682,109</u>	<u>\$ 1,700,638</u>

Depreciation expense was \$97,373 in 2013 and \$89,466 in 2012.

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Accountants' Review Report)

### 3. Long-Term Debt

Long-term debt consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
<b>Monastery</b>		
<u>Toyota Financial</u>		
Installment loan, monthly payment of \$429 including interest at 6.49%, maturing May 2017; secured by vehicle	\$ 16,083	\$ 20,052
<b>Bookstore</b>		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payment of \$9,126 including interest at 4.70% for 84 months then adjusting to the prime rate plus 1.45%, maturing January 2032; secured by real estate	1,325,300	1,370,500
Installment loan, monthly payment of \$622 including interest at 6.49%, maturing April 2015; secured by vehicle	9,496	16,099
Total	1,350,879	1,406,651
Less current portion	59,543	56,665
Long-term debt	<u>\$ 1,291,336</u>	<u>\$ 1,349,986</u>

Scheduled principal repayments for periods subsequent to December 31, 2013 are as follows:

Years ending December 31:	
2014	\$ 59,543
2015	57,519
2016	57,813
2017	58,055
2018	58,208
Thereafter	1,059,741
Total	<u>\$ 1,350,879</u>

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2013 and 2012

(See Independent Accountants' Review Report)

### 4. Functional Expenses

The Monastery provides theological teachings and services to individuals within its geographic area. Expenses related to providing these services are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Program services	\$ 936	\$ 972
General and administrative	94	97
Fundraising	13	17
Total	<u>\$ 1,043</u>	<u>\$ 1,086</u>

### 5. Related Party Transactions

The Monastery made payments to St. Tikhon's Orthodox Theological Seminary ("Seminary"), an entity related through church affiliation. Payments were expensed as follows:

	<u>2013</u>	<u>2012</u>
Health insurance reimbursement	\$ 39,456	\$ 36,231
General insurance reimbursement	29,625	31,210
Contributions	10,500	35,000
Tuition fees	-	165
Total	<u>\$ 79,581</u>	<u>\$ 102,606</u>

There was no balance due to the Seminary at December 31, 2013 and 2012.

### 6. Contingencies

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Monastery qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

### 7. Concentrations

Amounts on deposit with any one financial institution are insured up to the Federal Deposit Insurance Corporation limits. The Monastery periodically has cash and cash equivalents on deposit in excess of insured amounts.

## St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department

December 31, 2013

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 302,882	\$ 13,173	\$ 316,055
Accounts receivable	-	49,453	49,453
Inventories	-	342,742	342,742
Prepaid expenses and current assets	-	3,181	3,181
	<hr/>	<hr/>	<hr/>
Total current assets	302,882	408,549	711,431
<b>Property and Equipment, Net</b>	845,850	836,259	1,682,109
<b>Deferred Financing Costs, Net</b>	-	15,069	15,069
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,148,732</u>	<u>\$ 1,259,877</u>	<u>\$ 2,408,609</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 4,233	\$ 55,310	\$ 59,543
Accounts payable	9,385	25,557	34,942
Due (from) to department	(96,837)	96,837	-
Payroll taxes payable	-	1,793	1,793
Deferred revenue	-	843	843
Accrued interest	-	3,767	3,767
Sales tax payable	-	960	960
	<hr/>	<hr/>	<hr/>
Total current liabilities	(83,219)	185,067	101,848
<b>Long-Term Debt</b>	11,850	1,279,486	1,291,336
	<hr/>	<hr/>	<hr/>
Total liabilities	(71,369)	1,464,553	1,393,184
<b>Net Assets</b>			
Unrestricted	1,220,101	(204,676)	1,015,425
	<hr/>	<hr/>	<hr/>
Total net assets	1,220,101	(204,676)	1,015,425
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,148,732</u>	<u>\$ 1,259,877</u>	<u>\$ 2,408,609</u>

## St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department

December 31, 2012

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 343,983	\$ 8,624	\$ 352,607
Accounts receivable	-	45,806	45,806
Inventories	-	340,541	340,541
Prepaid expenses and current assets	-	57,628	57,628
Total current assets	343,983	452,599	796,582
<b>Property and Equipment, Net</b>	816,118	884,520	1,700,638
<b>Deferred Financing Costs, Net</b>	-	15,906	15,906
Total assets	<u>\$ 1,160,101</u>	<u>\$ 1,353,025</u>	<u>\$ 2,513,126</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 3,968	\$ 52,697	\$ 56,665
Accounts payable	4,916	38,390	43,306
Due (from) to department	(101,152)	101,152	-
Payroll taxes payable	-	1,213	1,213
Deferred revenue	-	18,263	18,263
Customer deposit	-	11,500	11,500
Accrued interest	-	5,033	5,033
Sales tax payable	-	504	504
Total current liabilities	(92,268)	228,752	136,484
<b>Long-Term Debt</b>	16,084	1,333,902	1,349,986
Total liabilities	<u>(76,184)</u>	<u>1,562,654</u>	<u>1,486,470</u>
<b>Net Assets</b>			
Unrestricted	<u>1,236,285</u>	<u>(209,629)</u>	<u>1,026,656</u>
Total net assets	<u>1,236,285</u>	<u>(209,629)</u>	<u>1,026,656</u>
Total liabilities and net assets	<u>\$ 1,160,101</u>	<u>\$ 1,353,025</u>	<u>\$ 2,513,126</u>

## St. Tikhon's Orthodox Monastery

Schedule of Activities by Department

Year Ended December 31, 2013

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 567,441	\$ 567,441
Contributions	325,392	-	325,392
Cemetery plots	57,421	-	57,421
Activities	50,245	-	50,245
Bequests	16,328	-	16,328
Assessment and dues	11,198	-	11,198
Iconography projects	-	2,750	2,750
Investment income	1,257	8	1,265
	<u>461,841</u>	<u>570,199</u>	<u>1,032,040</u>
Total support and revenue	<u>461,841</u>	<u>570,199</u>	<u>1,032,040</u>
<b>Expenses</b>			
Operating	242,191	144,356	386,547
Cost of goods sold	-	236,858	236,858
Personnel	141,643	78,084	219,727
Interest	16,239	77,274	93,513
Administrative	64,947	28,224	93,171
Fundraising - special events	13,005	450	13,455
	<u>478,025</u>	<u>565,246</u>	<u>1,043,271</u>
Total expenses	<u>478,025</u>	<u>565,246</u>	<u>1,043,271</u>
(Decrease) increase in net assets	<u>\$ (16,184)</u>	<u>\$ 4,953</u>	<u>\$ (11,231)</u>

## St. Tikhon's Orthodox Monastery

Schedule of Activities by Department

Year Ended December 31, 2012

(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Contributions	\$ 788,325	\$ -	\$ 788,325
Bookstore	-	489,647	489,647
Iconography projects	-	53,154	53,154
Cemetery plots	51,193	-	51,193
Activities	47,893	-	47,893
Assessment and dues	12,761	-	12,761
Bequests	5,000	-	5,000
Investment income	38	11	49
	<u>905,210</u>	<u>542,812</u>	<u>1,448,022</u>
Total support and revenue	<u>905,210</u>	<u>542,812</u>	<u>1,448,022</u>
<b>Expenses</b>			
Operating	311,259	193,739	504,998
Cost of goods sold	-	168,678	168,678
Personnel	137,121	61,351	198,472
Interest	12,158	87,662	99,820
Administrative	72,440	24,737	97,177
Fundraising - special events	15,584	1,020	16,604
	<u>548,562</u>	<u>537,187</u>	<u>1,085,749</u>
Total expenses	<u>548,562</u>	<u>537,187</u>	<u>1,085,749</u>
Increase in net assets	<u>\$ 356,648</u>	<u>\$ 5,625</u>	<u>\$ 362,273</u>



## St. Tikhon's Orthodox Monastery

Schedule of Operating, Personnel, and Administrative Expenses by Department  
Year Ended December 31, 2013  
(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Depreciation and amortization	\$ 48,183	\$ 50,027	\$ 98,210
Utilities	55,311	9,661	64,972
Iconography projects	-	44,451	44,451
Contributions and stipends	42,763	835	43,598
Repairs and maintenance	36,027	275	36,302
Insurance	-	29,625	29,625
Supplies	15,574	4,660	20,234
Liturgical	19,498	-	19,498
Equipment	14,304	-	14,304
Telephone	5,806	4,822	10,628
Cemetery costs	4,725	-	4,725
	<u>\$ 242,191</u>	<u>\$ 144,356</u>	<u>\$ 386,547</u>
Total operating	<u>\$ 242,191</u>	<u>\$ 144,356</u>	<u>\$ 386,547</u>
<b>Personnel</b>			
Health insurance	\$ 75,271	\$ -	\$ 75,271
Salary and wages	-	72,099	72,099
Maintenance and support	66,372	-	66,372
Payroll taxes	-	5,985	5,985
	<u>-</u>	<u>5,985</u>	<u>5,985</u>
Total personnel	<u>\$ 141,643</u>	<u>\$ 78,084</u>	<u>\$ 219,727</u>
<b>Administrative</b>			
Automobile	\$ 30,255	\$ 229	\$ 30,484
Office supplies	12,363	8,649	21,012
Professional fees	12,480	5,835	18,315
Salary and wages	-	11,350	11,350
Travel	9,849	-	9,849
Advertising	-	1,293	1,293
Payroll taxes	-	868	868
	<u>-</u>	<u>868</u>	<u>868</u>
Total administrative	<u>\$ 64,947</u>	<u>\$ 28,224</u>	<u>\$ 93,171</u>

## St. Tikhon's Orthodox Monastery

Schedule of Operating, Personnel, and Administrative Expenses by Department  
Year Ended December 31, 2012  
(See Independent Accountants' Review Report)

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Contributions and stipends	\$ 91,898	\$ 2,750	\$ 94,648
Iconography projects	-	94,447	94,447
Depreciation and amortization	40,396	49,908	90,304
Repairs and maintenance	63,316	2,161	65,477
Utilities	48,700	7,573	56,273
Insurance	2,709	28,500	31,209
Liturgical	25,646	-	25,646
Equipment	20,171	-	20,171
Supplies	10,240	3,339	13,579
Telephone	4,923	5,061	9,984
Cemetery costs	3,260	-	3,260
	<u>\$ 311,259</u>	<u>\$ 193,739</u>	<u>\$ 504,998</u>
<b>Personnel</b>			
Health insurance	\$ 69,064	\$ -	\$ 69,064
Maintenance and support	68,057	-	68,057
Salary and wages	-	58,566	58,566
Payroll taxes	-	2,785	2,785
	<u>\$ 137,121</u>	<u>\$ 61,351</u>	<u>\$ 198,472</u>
<b>Administrative</b>			
Automobile	\$ 28,626	\$ 227	\$ 28,853
Professional fees	13,780	8,063	21,843
Travel	18,587	-	18,587
Office supplies	11,447	7,115	18,562
Salary and wages	-	8,113	8,113
Payroll taxes	-	738	738
Advertising	-	481	481
	<u>\$ 72,440</u>	<u>\$ 24,737</u>	<u>\$ 97,177</u>

# **ST TIKHON'S ORTHODOX THEOLOGICAL SEMINARY FINANCIAL STATEMENTS**

1. Financial Statements for the Year ended June 30, 2011 and June 30, 2010 and Independent Auditors' Report and Additional Information
2. Financial Statements for the Year ended June 30, 2012 and June 30, 2011 and Independent Auditors' Report and Additional Information
3. Financial Statements for the Year Ended June 30, 2013 and June 30, 2012 and Independent Auditors' Report and Additional Information
4. Financial Statements for the Year ended June 30, 2014 and June 30, 2013 and Independent Auditors' Report and Additional Information

**St. Tikhon's Orthodox  
Theological Seminary**

Financial Statements and  
Supplementary Information

June 30, 2011 and 2010

# St. Tikhon's Orthodox Theological Seminary

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June 30, 2011 and 2010

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## Independent Auditors' Report

Board of Directors  
St. Tikhon's Orthodox Theological Seminary

We have audited the accompanying statement of financial position of St. Tikhon's Orthodox Theological Seminary (the "Seminary") as of June 30, 2011 and 2010, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Seminary's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 St. Tikhon's Orthodox Theological Seminary as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on page 18 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.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
October 31, 2011

**St. Tikhon's Orthodox Theological Seminary**

## Statement of Financial Position

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 127,913	\$ 529,751
Tuition receivable	33,852	8,489
Contribution receivable	75,000	-
Due from affiliate	-	3,000
	<u>236,765</u>	<u>541,240</u>
Total current assets	236,765	541,240
Cash and Cash Equivalents, Designated	83,570	90,700
Asset Held in Charitable Remainder Trust	216,000	-
Property and Equipment, Net	962,453	779,120
Certificates of Deposit	664,352	954,842
Investments	<u>1,773,637</u>	<u>1,025,367</u>
Total assets	<u>\$ 3,936,777</u>	<u>\$ 3,391,269</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 51,831	\$ 50,000
Accounts payable	20,223	31,144
Student deposits	<u>17,580</u>	<u>1,710</u>
Total current liabilities	89,634	82,854
Obligation under Charitable Remainder Trust	46,750	-
Long-Term Debt	<u>18,942</u>	<u>49,860</u>
Total liabilities	<u>155,326</u>	<u>132,714</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	1,090,642	1,187,646
Board designated	<u>83,570</u>	<u>90,700</u>
Total unrestricted	1,174,212	1,278,346
Temporarily restricted	861,696	605,942
Permanently restricted	<u>1,745,543</u>	<u>1,374,267</u>
Total net assets	<u>3,781,451</u>	<u>3,258,555</u>
Total liabilities and net assets	<u>\$ 3,936,777</u>	<u>\$ 3,391,269</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Activities

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Bequests	570,664	238,468
Tuition (net of scholarships of \$216,664 in 2011)	94,276	285,536
Contributions	430,017	439,175
Miscellaneous	7,225	11,732
Investment income	4,825	1,420
Contributed services	35,500	35,000
Mission choir donations	11,459	50,361
Recovery of underwater endowment	-	16,770
	<u>1,153,966</u>	<u>1,078,462</u>
<b>Expenses</b>		
Instructional	522,537	514,873
Administrative	410,202	285,056
Operations	228,852	196,378
Student services	75,630	43,607
Fundraising	10,546	-
Library	10,333	13,443
	<u>1,258,100</u>	<u>1,053,357</u>
Total support and revenue	<u>1,153,966</u>	<u>1,078,462</u>
Total expenses	<u>1,258,100</u>	<u>1,053,357</u>
(Decrease) increase in unrestricted net assets	<u>(104,134)</u>	<u>25,105</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment income	255,754	87,292
Contributions	-	70,759
Recovery of underwater endowment	-	(16,770)
	<u>255,754</u>	<u>141,281</u>
Increase in temporarily restricted net assets	<u>255,754</u>	<u>141,281</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Contributions	202,026	-
Contribution of charitable remainder trust	165,000	-
Change in valuation of charitable remainder trust	4,250	-
	<u>371,276</u>	<u>-</u>
Increase in permanently restricted net assets	<u>371,276</u>	<u>-</u>
Increase in net assets	<u>\$ 522,896</u>	<u>\$ 166,386</u>

See notes to financial statements



**St. Tikhon's Orthodox Theological Seminary**

## Statement of Changes in Net Assets

Years Ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2009</b>	\$ 1,253,241	\$ 464,661	\$ 1,374,267	\$ 3,092,169
<b>Increase in Net Assets</b>	<u>25,105</u>	<u>141,281</u>	<u>-</u>	<u>166,386</u>
<b>Net Assets, June 30, 2010</b>	<u>1,278,346</u>	<u>605,942</u>	<u>1,374,267</u>	<u>3,258,555</u>
<b>(Decrease) increase in Net Assets</b>	<u>(104,134)</u>	<u>255,754</u>	<u>371,276</u>	<u>522,896</u>
<b>Net Assets, June 30, 2011</b>	<u>\$ 1,174,212</u>	<u>\$ 861,696</u>	<u>\$ 1,745,543</u>	<u>\$ 3,781,451</u>

*See notes to financial statements*

# St. Tikhon's Orthodox Theological Seminary

## Statement of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 522,896	\$ 166,386
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution of asset held in charitable remainder trust	(165,000)	-
Depreciation	47,135	37,105
Accretion	(4,250)	-
Net realized and unrealized gains on investments	(223,295)	(55,397)
Changes in assets and liabilities:		
Tuition receivable	(25,363)	23,901
Contributions receivable	(75,000)	-
Prepaid expenses	-	12,247
Due from affiliate	3,000	1,065
Accounts payable	(10,921)	(17,825)
Student deposits	15,870	(5,346)
	<u>85,072</u>	<u>162,136</u>
Net cash provided by operating activities		
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,366,299)	(698,324)
Proceeds from sale of investments	841,324	715,718
Purchase of property and equipment	(230,468)	-
Decrease (increase) in certificates of deposit	290,490	(18,507)
Decrease in cash and cash equivalents, designated	7,130	50,295
	<u>(457,823)</u>	<u>49,182</u>
Net cash used in investing activities		
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	25,517	-
Repayment of long-term debt	(54,604)	(50,043)
	<u>(29,087)</u>	<u>(50,043)</u>
Net cash used in financing activities		
(Decrease) increase in cash and cash equivalents	(401,838)	161,275
<b>Cash and Cash Equivalents, Beginning</b>	<u>529,751</u>	<u>368,476</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 127,913</u>	<u>\$ 529,751</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 4,568</u>	<u>\$ 7,602</u>

See notes to financial statements

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements  
June 30, 2011 and 2010

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

St. Tikhon's Orthodox Theological Seminary (the "Seminary") was founded in 1938 as a Pastoral School by resolution of the 6th All-American Sobor of the Russian Orthodox Greek Catholic Church in North America and was officially transformed from a Pastoral School into a Seminary by the Holy Synod of the Metropolis in 1942.

The Seminary is an institution of professional Orthodox Christian theological education, chartered by the Department of Education of the Commonwealth of Pennsylvania and affiliated with the Orthodox Church in America. The primary mission of the Seminary lies in providing the necessary theological, liturgical, spiritual, and moral foundations for Orthodox men to become, as God so wills, good shepherds of His Holy Orthodox Church.

The Seminary evaluated subsequent events for recognition or disclosure through October 31, 2011, the date the financial statements were available to be issued.

### **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 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 period. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents and cash and cash equivalents, designated include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

Cash and cash equivalents, designated assets are restricted by the board for certain projects or purposes.

### **Tuition Receivable**

Tuition receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

### **Certificates of Deposit**

Certificates of deposit are recorded at cost.

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements  
June 30, 2011 and 2010

## **Investments and Investment Risk**

Investments in marketable equity securities and mutual funds are carried at fair value based upon quoted market prices of the securities. The carrying amount of cash and money market funds approximates fair value based on the short-term nature of these investments.

Investment income or loss (including realized gains and losses on investments, unrealized gains or losses on other than trading securities, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the statement of activities unless the income or loss is restricted by donor or law.

The Seminary's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

## **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset. Depreciation was \$47,135 in 2011 and \$37,105 in 2010.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

A land deposit in the amount of \$25,000 is included in property and equipment in 2011. This amount is being held in escrow and represents a down payment on a parcel of land being sold by the Western Wayne School District to St. Tikhon's Orthodox Theological Seminary.

## **Tuition Revenue Recognition**

Tuition revenue is recorded in the year earned. Tuition received in advance of the ensuing school year is recorded as deferred revenue until earned.

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2011 and 2010

## **Split-Interest Agreement**

The Seminary is a party to a split-interest agreement, known as a charitable remainder trust. The Seminary reports separately the asset and liability of its split-interest agreement in the statement of financial position, and it reports separately contribution revenue from the split-interest agreement and the change in valuation of the split-interest agreement in its statement of activities.

A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust the remaining asset is transferred to the Seminary in accordance with the donor's stated restriction.

The Seminary is a party to an agreement whereby title of real estate was deeded to the Seminary (asset held in charitable remainder trust). As part of the agreement, a beneficiary was given the right to utilize the real estate until death. The Seminary recorded an asset at fair value at the date of gift. The difference between the fair value of the asset and the present value of future benefit discounted over the beneficiaries actuarially determined life expectancy was recorded as a liability (obligation under charitable remainder trust). Amortization of the liability and changes in the charitable remainder trust are recognized as change in the valuation of the charitable remainder trust.

## **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Seminary has been limited by donors to a specific time period or purpose. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Seminary in perpetuity. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose. The net depreciation of investments classified as permanently restricted reduces unrestricted net assets. Any future gains will be used to restore the cumulative deficiency within unrestricted net assets. Once unrestricted net assets have been fully restored, net appreciation will be recorded within either temporarily or permanently restricted net assets, as required by the donor's restriction.

## **Contributed Services**

For the year ended June 30, 2011 and 2010, the Seminary recorded contributions in the amount of \$35,500 and \$35,000, respectively for the services performed by priests in the classroom as part-time uncompensated faculty. These amounts represent the estimated compensation that would have to be paid to a faculty member providing services for compensation at the Seminary's pay scale in effect for that period.

## **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

## Promise to Give

The unconditional promise to give of \$75,000 is expected to be collected in 2012. This promise to give is from one donor that is an organization with a history of donations to the Seminary. Management does not feel an allowance is necessary at June 30, 2011.

## Income Taxes

The Seminary is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Seminary accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2011 and 2010.

## Reclassification

Certain amounts relating to 2010 have been reclassified to conform to the 2011 reporting format.

## 2. Property and Equipment and Accumulated Depreciation

Property and equipment and accumulated depreciation as of June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 70,601	\$ 70,601
Buildings and improvements	1,519,494	1,477,706
Furniture	87,230	87,230
Equipment	76,191	76,191
Vehicle	68,968	-
Land deposit	25,000	-
Construction in progress	94,712	-
	<hr/>	<hr/>
Total	1,942,196	1,711,728
Less accumulated depreciation	979,743	932,608
	<hr/>	<hr/>
Property and equipment, net	\$ 962,453	\$ 779,120

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	<u>2011</u>	<u>2010</u>
Money market	\$ 520,363	\$ 316,182
Marketable equity securities:		
Energy	286,109	143,708
Information technology	220,800	110,779
Health care	215,165	102,473
Consumer goods	207,415	129,720
Telecommunications	129,635	60,595
Financial	128,015	57,170
Agriculture	47,025	58,907
Insurance	19,110	16,275
Mutual funds	-	29,558
Total	<u>\$ 1,773,637</u>	<u>\$ 1,025,367</u>

Investment return for cash and cash equivalents and investments is comprised of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 37,284	\$ 33,315
Realized and unrealized gains on investments	<u>223,295</u>	<u>55,397</u>
Total investment return	<u>\$ 260,579</u>	<u>\$ 88,712</u>

Investment fees totaled \$6,647 in 2011 and \$5,085 in 2010. These amounts are netted against the total investment return.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy for disclosure of the inputs to valuation used to measure fair value prioritizes the inputs into three broad levels as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – 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; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 – Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.





# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

The Level 3 reconciliation at June 30, 2011 is as follows:

<u>Description</u>	<u>Asset Held in Charitable Remainder Trust</u>
Balance at June 30, 2010	\$ -
Addition, Contribution of asset	<u>216,000</u>
Total	<u>\$ 216,000</u>

The change in value of the assets held in charitable remainder trust is reduced by the change in value of the obligation under charitable remainder trust. This net value is recognized in the change in valuation of charitable remainder trust under changes in permanently restricted net assets in the statement of activities.

## 4. Long-Term Debt

Long-term debt consists of the following at June 30

	<u>2011</u>	<u>2010</u>
Mortgage payable, with interest at 6%. Monthly principal and interest payments of \$4,804 are due through April 2012, collateralized by a first lien on real estate	\$ 46,885	\$ 99,860
Loan payable, with interest at 1.9%. Monthly principal and interest payments of \$446 are due through February 2016, secured by a vehicle	<u>23,888</u>	<u>-</u>
Total	70,773	99,860
Less current portion	<u>(51,831)</u>	<u>(50,000)</u>
Total	<u>\$ 18,942</u>	<u>\$ 49,860</u>

Scheduled principal repayments for periods subsequent to June 30, 2010 are as follows:

Years ending June 30:	
2012	\$ 51,831
2013	5,041
2014	5,138
2015	5,237
2016	<u>3,526</u>
Total	<u>\$ 70,773</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

## 5. Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan. The plan covers all Bishops and Priests and all full-time lay persons electing to be covered by the plan. The plan is a defined benefit plan, which requires a mandatory 12% contribution on behalf of all participating members. The vesting schedule is as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
5	10%
6	20%
7	30%
8	40%
9	50%
10	60%
11	70%
12	80%
13	90%
14 or more	100%

Pension expense was \$38,753 and \$43,212 for the years ended June 30, 2011 and 2010.

The Plan administrator is the Pension Board comprised of not less than three (3) persons appointed by the Church. A valuation of the plan is required at least once every three years by an enrolled actuary as defined under the Employee Retirement Income Security Act ("ERISA") to determine the contributions needed to maintain the plan on a sound actuarial basis. The contributions needed to support the plan shall be changed from time to time based upon the results of these valuations.

## 6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	<u>2011</u>	<u>2010</u>
Restricted for:		
Scholarships	\$ 424,235	\$ 199,006
General endowments	437,461	406,936
<b>Total</b>	<b>\$ 861,696</b>	<b>\$ 605,942</b>

Permanently restricted net assets at June 30 consist of the following:

Restricted for:		
Scholarships	\$ 970,180	\$ 598,904
General endowments	775,363	775,363
<b>Total</b>	<b>\$ 1,745,543</b>	<b>\$ 1,374,267</b>

## **7. Endowment Funds**

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Seminary has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary 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 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 that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The Seminary considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the Seminary and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, the investment policies of the Seminary, and other resources of the Seminary.

The Seminary has adopted 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 Seminary must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a total return, net of all fees and expenses, equal to or exceeding the spending rate plus the rate of inflation, as measured by the Consumer Price Index while incurring only a reasonable and prudent level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Seminary 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 Seminary targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Seminary has a policy of appropriating for distribution accumulated income and net appreciation of investments as approved by the Board of Trustees. This policy is consistent with the Seminary's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

Endowment net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 861,696	\$ 1,745,543	\$ 2,607,239
Board-designated endowment funds	<u>83,570</u>	<u>-</u>	<u>-</u>	<u>83,570</u>
Total endowment funds	<u>\$ 83,570</u>	<u>\$ 861,696</u>	<u>\$ 1,745,543</u>	<u>\$ 2,690,809</u>

Changes in endowment net assets in 2011 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	<u>\$ 90,700</u>	<u>\$ 605,942</u>	<u>\$ 1,374,267</u>	<u>\$ 2,070,909</u>
Investment return:				
Investment income	4,825	32,459	-	37,284
Net realized and unrealized gains	<u>-</u>	<u>223,295</u>	<u>-</u>	<u>223,295</u>
Total investment return	<u>4,825</u>	<u>255,754</u>	<u>-</u>	<u>260,579</u>
Contributions	<u>185,781</u>	<u>-</u>	<u>202,026</u>	<u>387,807</u>
Contribution of charitable remainder trust	<u>-</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Change in charitable remainder trust	<u>-</u>	<u>-</u>	<u>4,250</u>	<u>4,250</u>
Scholarship released	<u>(185,781)</u>	<u>-</u>	<u>-</u>	<u>(185,781)</u>
Appropriation of endowment assets for expenditure (spending policy)	<u>(11,955)</u>	<u>-</u>	<u>-</u>	<u>(11,955)</u>
Endowment net assets, June 30, 2011	<u>\$ 83,570</u>	<u>\$ 861,696</u>	<u>\$ 1,745,543</u>	<u>\$ 2,690,809</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

Endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 605,942	\$ 1,374,267	\$ 1,980,209
Board-designated endowment funds	90,700	-	-	90,700
Total endowment funds	<u>\$ 90,700</u>	<u>\$ 605,942</u>	<u>\$ 1,374,267</u>	<u>\$ 2,070,909</u>

Changes in endowment net assets in 2010 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ 124,225	\$ 464,661	\$ 1,374,267	\$ 1,963,153
Investment return:				
Investment income	1,420	31,937	-	33,357
Net realized and unrealized gains	-	55,355	-	55,355
Total investment return	1,420	87,292	-	88,712
Contributions	-	70,759	-	70,759
Reclassification of underwater endowment net assets	16,770	(16,770)	-	-
Appropriation of endowment assets for expenditure (spending policy)	(51,715)	-	-	(51,715)
Endowment net assets, June 30, 2010	<u>\$ 90,700</u>	<u>\$ 605,942</u>	<u>\$ 1,374,267</u>	<u>\$ 2,070,909</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

## 8. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2011 and 2010 are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Program services	\$ 837	\$ 768
General and administrative	410	285
Fundraising	<u>11</u>	<u>-</u>
Total	<u>\$ 1,258</u>	<u>\$ 1,053</u>

## 9. Commitments and Contingencies

The Seminary has entered into a valid Agreement of Sale with the Western Wayne School District for a property valued at \$600,000. The Seminary has made a \$25,000 deposit on this property in 2011. The Seminary expects to complete the purchase in 2012 and use the property to expand student housing.

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Seminary qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

## 10. Concentrations

The Seminary primarily maintains its cash and investments with financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures accounts to \$250,000 at each institution. The Seminary generally has cash on deposit in excess of insured amounts. The Seminary's contribution receivable balance represents a promise to give from an organization.

# St. Tikhon's Orthodox Theological Seminary

## Schedule of Instructional, Administrative, and Operations Expenses

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Instructional</b>		
Faculty wages	\$ 278,108	\$ 317,552
Employee benefits	67,661	56,721
Travel	40,128	32,977
Payroll taxes	36,024	34,900
Donated services	35,500	35,000
Pension	32,646	37,723
Faculty housing	29,470	-
Faculty tuition	3,000	-
	<u>522,537</u>	<u>514,873</u>
Total instructional	\$ <u>522,537</u>	\$ <u>514,873</u>
<b>Administrative</b>		
Staff wages	\$ 217,572	\$ 104,459
Professional fees	47,499	60,404
Payroll taxes	43,149	53,274
Office supplies	32,997	21,894
Employee Benefits	27,419	8,224
Automobile	12,793	13,131
Dues and subscriptions	8,017	3,256
Equipment lease	7,377	4,930
Pension	6,107	5,489
Travel	3,685	4,103
Conferences	2,925	5,881
Interest	662	11
	<u>410,202</u>	<u>285,056</u>
Total administrative	\$ <u>410,202</u>	\$ <u>285,056</u>
<b>Operations</b>		
Utilities	\$ 80,801	\$ 67,888
Insurance	76,412	28,167
Depreciation	47,135	37,105
Repairs and maintenance	9,261	42,312
Telephone	7,312	9,537
Interest	4,568	7,602
Supplies	2,019	3,767
Taxes	1,344	-
	<u>228,852</u>	<u>196,378</u>
Total operations	\$ <u>228,852</u>	\$ <u>196,378</u>

**St. Tikhon's Orthodox  
Theological Seminary**

Financial Statements and  
Supplementary Information

June 30, 2012 and 2011



# St. Tikhon's Orthodox Theological Seminary

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June 30, 2012 and 2011

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## Independent Auditors' Report

Board of Directors  
St. Tikhon's Orthodox Theological Seminary

We have audited the accompanying statement of financial position of St. Tikhon's Orthodox Theological Seminary (the "Seminary") as of June 30, 2012 and 2011, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Seminary's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 St. Tikhon's Orthodox Theological Seminary as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information for 2012 and 2011 on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
May 23, 2013

# St. Tikhon's Orthodox Theological Seminary

## Statement of Financial Position

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 495,696	\$ 127,913
Tuition receivable	108,176	33,852
Contribution receivable	-	75,000
Total current assets	603,872	236,765
<b>Cash and Cash Equivalents, Designated</b>	146,582	83,570
<b>Asset Held in Charitable Remainder Trust</b>	216,000	216,000
<b>Property and Equipment, Net</b>	1,817,869	962,453
<b>Certificates of Deposit</b>	684,647	664,352
<b>Investments</b>	1,127,510	1,773,637
Total assets	<u>\$ 4,596,480</u>	<u>\$ 3,936,777</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 32,288	\$ 51,831
Accounts payable	43,952	20,223
Student deposits	7,693	17,580
Total current liabilities	83,933	89,634
<b>Obligation under Charitable Remainder Trust</b>	42,500	46,750
<b>Long-Term Debt</b>	573,642	18,942
Total liabilities	<u>700,075</u>	<u>155,326</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	1,441,698	1,350,563
Board designated	146,582	83,570
Total unrestricted	1,588,280	1,434,133
Temporarily restricted	225,027	276,785
Permanently restricted	2,083,098	2,070,533
Total net assets	<u>3,896,405</u>	<u>3,781,451</u>
Total liabilities and net assets	<u>\$ 4,596,480</u>	<u>\$ 3,936,777</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Activities

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions	\$ 839,840	\$ 246,098
Tuition and scholarships	350,320	278,195
Bequests	299,652	570,664
Contributed services	36,000	35,500
Miscellaneous	30,709	7,225
Mission choir donations	19,334	11,459
Investment income	18,159	80,558
	<u>1,594,014</u>	<u>1,229,699</u>
<b>Expenses</b>		
Instructional	543,052	522,537
Administrative	523,305	410,202
Operations	275,921	228,852
Student services	73,306	75,630
Fundraising	13,070	10,546
Library	11,213	10,333
	<u>1,439,867</u>	<u>1,258,100</u>
Total support and revenue	<u>1,594,014</u>	<u>1,229,699</u>
Total expenses	<u>1,439,867</u>	<u>1,258,100</u>
Increase (decrease) in unrestricted net assets	<u>154,147</u>	<u>(28,401)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment income	(51,758)	180,021
Net assets reclassified as permanently restricted	-	(6,800)
	<u>(51,758)</u>	<u>173,221</u>
(Decrease) increase in temporarily restricted net assets	<u>(51,758)</u>	<u>173,221</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Contributions	8,315	202,026
Net assets reclassified as permanently restricted	-	6,800
Contribution of charitable remainder trust	-	165,000
Change in valuation of charitable remainder trust	4,250	4,250
	<u>12,565</u>	<u>378,076</u>
Increase in permanently restricted net assets	<u>12,565</u>	<u>378,076</u>
Increase in net assets	<u>\$ 114,954</u>	<u>\$ 522,896</u>

See notes to financial statements

## St. Tikhon's Orthodox Theological Seminary

### Statement of Changes in Net Assets

Years Ended June 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2010, as originally reported</b>	\$ 1,278,346	\$ 605,942	\$ 1,374,267	\$ 3,258,555
<b>Restatement</b>	<u>184,188</u>	<u>(502,378)</u>	<u>318,190</u>	<u>-</u>
<b>Net Assets, June 30, 2010, as restated</b>	1,462,534	103,564	1,692,457	3,258,555
<b>Increase (Decrease) in Net Assets</b>	<u>(28,401)</u>	<u>173,221</u>	<u>378,076</u>	<u>522,896</u>
<b>Net Assets, June 30, 2011</b>	1,434,133	276,785	2,070,533	3,781,451
<b>Increase (Decrease) in Net Assets</b>	<u>154,147</u>	<u>(51,758)</u>	<u>12,565</u>	<u>114,954</u>
<b>Net Assets, June 30, 2012</b>	<u>\$ 1,588,280</u>	<u>\$ 225,027</u>	<u>\$ 2,083,098</u>	<u>\$ 3,896,405</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 114,954	\$ 522,896
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution of asset held in charitable remainder trust	-	(165,000)
Depreciation	56,728	47,135
Accretion	(4,250)	(4,250)
Net realized and unrealized losses (gains) on investments	3,644	(223,295)
Changes in assets and liabilities:		
Tuition receivable	(74,324)	(25,363)
Contributions receivable	75,000	(75,000)
Due from affiliate	-	3,000
Accounts payable	23,729	(10,921)
Student deposits	(9,887)	15,870
	<u>185,594</u>	<u>85,072</u>
<b>Net cash provided by operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(292,556)	(1,366,299)
Proceeds from sale of investments	935,039	841,324
Purchase of property and equipment	(912,144)	(230,468)
(Increase) decrease in certificates of deposit	(20,295)	290,490
(Increase) decrease in cash and cash equivalents, designated	(63,012)	7,130
	<u>(352,968)</u>	<u>(457,823)</u>
<b>Net cash used in investing activities</b>		
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	600,000	25,517
Repayment of long-term debt	(64,843)	(54,604)
	<u>535,157</u>	<u>(29,087)</u>
<b>Net cash provided by (used in) financing activities</b>		
Increase (decrease) in cash and cash equivalents	367,783	(401,838)
<b>Cash and Cash Equivalents, Beginning</b>	<u>127,913</u>	<u>529,751</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 495,696</u>	<u>\$ 127,913</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 18,022</u>	<u>\$ 4,568</u>

See notes to financial statements

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements  
June 30, 2012 and 2011

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

St. Tikhon's Orthodox Theological Seminary (the "Seminary") was founded in 1938 as a Pastoral School by resolution of the 6th All-American Sobor of the Russian Orthodox Greek Catholic Church in North America and was officially transformed from a Pastoral School into a Seminary by the Holy Synod of the Metropolis in 1942.

The Seminary is an institution of professional Orthodox Christian theological education, chartered by the Department of Education of the Commonwealth of Pennsylvania and affiliated with the Orthodox Church in America. The primary mission of the Seminary lies in providing the necessary theological, liturgical, spiritual, and moral foundations for Orthodox men to become, as God so wills, good shepherds of His Holy Orthodox Church.

The Seminary evaluated subsequent events for recognition or disclosure through May 23, 2013, the date the financial statements were available to be issued.

### **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 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 period. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents and cash and cash equivalents, designated include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

Cash and cash equivalents, designated assets are restricted by the board for certain projects or purposes.

### **Tuition Receivable**

Tuition receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

### **Certificates of Deposit**

Certificates of deposit are recorded at cost.

# **St. Tikhon's Orthodox Theological Seminary**

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## Notes to Financial Statements

June 30, 2012 and 2011

### **Investments and Investment Risk**

Investments in marketable equity securities and mutual funds are carried at fair value based upon quoted market prices of the securities. The carrying amount of cash and money market funds approximates fair value based on the short-term nature of these investments.

Investment income or loss (including realized gains and losses on investments, unrealized gains or losses on other than trading securities, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the statement of activities unless the income or loss is restricted by donor or law.

The Seminary's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset. Depreciation was \$56,728 in 2012 and \$47,135 in 2011.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

A deposit in the amount of \$25,000 is included in property and equipment in 2011. This amount was held in escrow and represented a down payment on real estate which was sold by the Western Wayne School District to St. Tikhon's Orthodox Theological Seminary in 2012.

### **Tuition Revenue Recognition**

Tuition revenue is recorded in the year earned. Tuition received in advance of the ensuing school year is recorded as deferred revenue until earned.



# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2012 and 2011

## **Split-Interest Agreement**

The Seminary is a party to a split-interest agreement, known as a charitable remainder trust. The Seminary reports separately the asset and liability of its split-interest agreement in the statement of financial position, and it reports separately contribution revenue from the split-interest agreement and the change in valuation of the split-interest agreement in its statement of activities.

A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust the remaining asset is transferred to the Seminary in accordance with the donor's stated restriction.

The Seminary is a party to an agreement whereby title of real estate was deeded to the Seminary (asset held in charitable remainder trust). As part of the agreement, a beneficiary was given the right to utilize the real estate until death. The Seminary recorded an asset at fair value at the date of gift. The difference between the fair value of the asset and the present value of the future benefit discounted over the beneficiaries' actuarially determined life expectancy was recorded as a liability (obligation under charitable remainder trust). Amortization of the liability and changes in the charitable remainder trust are recognized as changes in the valuation of the charitable remainder trust.

## **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Seminary has been limited by donors to a specific time period or purpose. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Seminary in perpetuity. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose. The net depreciation of investments classified as permanently restricted reduces unrestricted net assets. Any future gains will be used to restore the cumulative deficiency within unrestricted net assets. Once unrestricted net assets have been fully restored, net appreciation will be recorded within either temporarily or permanently restricted net assets, as required by the donor's restriction.

## **Contributed Services**

For the year ended June 30, 2012 and 2011, the Seminary recorded contributions in the amount of \$36,000 and \$35,500, respectively for the services performed by priests in the classroom as part-time uncompensated faculty. These amounts represent the estimated compensation that would have to be paid to a faculty member providing services for compensation at the Seminary's pay scale in effect for that period.

## **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2012 and 2011

## Promise to Give

An unconditional promise to give in the amount of \$75,000 was recorded in 2011 and collected in 2012. No allowance was recorded in 2011 as the donor organization has a history of donations to the Seminary.

## Income Taxes

The Seminary is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Seminary accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2012 and 2011.

## Reclassification

Certain amounts relating to 2011 have been reclassified to conform to the 2012 reporting format.

## 2. Property and Equipment and Accumulated Depreciation

Property and equipment and accumulated depreciation as of June 30 are as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 70,601	\$ 70,601
Buildings and improvements	1,936,683	1,519,494
Furniture	87,230	87,230
Equipment	76,191	76,191
Vehicle	68,968	68,968
Building (held for future development)	614,668	25,000
Construction in progress	-	94,712
Total	<u>2,854,341</u>	<u>1,942,196</u>
Less accumulated depreciation	<u>1,036,472</u>	<u>979,743</u>
Property and equipment, net	<u>\$ 1,817,869</u>	<u>\$ 962,453</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2012 and 2011

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	<u>2012</u>	<u>2011</u>
Money market	\$ 166,797	\$ 520,363
Marketable equity securities:		
Energy	282,305	286,109
Information technology	38,570	220,800
Health care	140,423	215,165
Consumer goods	275,528	207,415
Telecommunications	104,872	129,635
Financial	20,317	128,015
Industrial	98,698	-
Agriculture	-	47,025
Insurance	-	19,110
<b>Total</b>	<u>\$ 1,127,510</u>	<u>\$ 1,773,637</u>

Investment return for cash and cash equivalents and investments is comprised of the following for the years ended June 30:

	<u>2012</u>			<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 18,159	\$ 27,337	\$ 45,496	\$ 80,558	\$ 32,458	\$ 113,016
Realized and unrealized (losses) gains on investments	-	(79,095)	(79,095)	-	147,563	147,563
<b>Total investment return (loss)</b>	<u>\$ 18,159</u>	<u>\$ (51,758)</u>	<u>\$ (33,599)</u>	<u>\$ 80,558</u>	<u>\$ 180,021</u>	<u>\$ 260,579</u>

Investment fees totaled \$6,770 in 2012 and \$6,647 in 2011. These amounts are netted against the total investment return (loss).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy for disclosure of the inputs to valuation used to measure fair value prioritizes the inputs into three broad levels as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – 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; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 – Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.



# St. Tikhon's Orthodox Theological Seminary

## Notes to Financial Statements

June 30, 2012 and 2011

The following is a description of the valuation methodologies used to determine fair value:

Investments: The carrying value of money market accounts approximates fair value because of the short-term maturity of these instruments. Marketable equity securities are measured at fair value using quoted market prices for identical assets.

Asset held in charitable remainder trust: The fair value of the asset held in the charitable remainder trust is based on the present value of the underlying real estate.

The Level 3 reconciliation at June 30, 2012 is as follows:

<u>Description</u>	<u>Asset Held in Charitable Remainder Trust</u>
Balance at June 30, 2011	\$ 216,000
Addition / Withdrawal	<u>-</u>
Total	<u>\$ 216,000</u>

The change in value of the assets held in the charitable remainder trust is reduced by the change in value of the obligation under charitable remainder trust. This net value is recognized in the change in valuation of the charitable remainder trust under changes in permanently restricted net assets in the statement of activities.

# St. Tikhon's Orthodox Theological Seminary

## Notes to Financial Statements

June 30, 2012 and 2011

### 4. Long-Term Debt

Long-term debt consists of the following at June 30

	<u>2012</u>	<u>2011</u>
Mortgage payable, with interest at 6%. Monthly principal and interest payments of \$4,804 are due through April 2012, collateralized by a first lien on real estate	\$ -	\$ 46,885
Loan payable, with interest at 1.9%. Monthly principal and interest payments of \$446 are due through February 2016, secured by a vehicle	18,985	23,888
Loan payable, with interest at 5%. Monthly principal and interest payments of \$2,373 are due through December 2016, secured by the Philadelphia Trust investment account valued at 125% or more of the loan value for the duration of the loan	293,212	-
Loan payable, with interest at 6%. Monthly principal and interest payments of \$2,532 are due through December 2026, secured by property owned by the Seminary	<u>293,733</u>	<u>-</u>
Total	605,930	70,773
Less current portion	<u>(32,288)</u>	<u>(51,831)</u>
Total	<u>\$ 573,642</u>	<u>\$ 18,942</u>

Scheduled principal repayments for periods subsequent to June 30, 2011 are as follows:

Years ending June 30:	
2013	\$ 32,288
2014	33,917
2015	35,634
2016	35,644
2017	248,873
Thereafter	<u>219,574</u>
Total	<u>\$ 605,930</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2012 and 2011

## 5. Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan. The plan covers all Bishops and Priests and all full-time lay persons electing to be covered by the plan. The plan is a defined benefit plan, which requires a mandatory 12% contribution on behalf of all participating members. The vesting schedule is as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
5	10%
6	20%
7	30%
8	40%
9	50%
10	60%
11	70%
12	80%
13	90%
14 or more	100%

Pension expense was \$44,259 and \$38,753 for the years ended June 30, 2012 and 2011.

The Plan administrator is the Pension Board comprised of not less than three (3) persons appointed by the Church. A valuation of the plan is required at least once every three years by an enrolled actuary as defined under the Employee Retirement Income Security Act ("ERISA") to determine the contributions needed to maintain the plan on a sound actuarial basis. The contributions needed to support the plan shall be changed from time to time based upon the results of these valuations.

## 6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	<u>2012</u>	<u>2011</u>
Restricted for, Scholarships	<u>\$ 225,027</u>	<u>\$ 276,785</u>

Permanently restricted net assets at June 30 consist of the following:

Restricted for:		
Scholarships	\$ 1,274,129	\$ 1,265,814
General endowments	<u>808,969</u>	<u>804,719</u>
Total	<u>\$ 2,083,098</u>	<u>\$ 2,070,533</u>

# St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements

June 30, 2012 and 2011

## 7. Endowment Funds

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Seminary has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary 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 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 that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The Seminary considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the Seminary and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected return from income and the appreciation of investments, the investment policies of the Seminary, and other resources of the Seminary.

The Seminary has adopted 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 Seminary must hold in perpetuity as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the Seminary relies on a balanced investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seminary targets a diversified asset allocation to achieve its long-term return objectives guided by its policy.

The Seminary has a policy of appropriating for distribution accumulated investment income (interest and dividends) as approved by the Board of Trustees. This policy is consistent with the Seminary's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.



# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2012 and 2011

During 2012, the Seminary borrowed \$409,720 from its endowment fund. At June 30, 2012, this deficiency was owed to the endowment fund. Subsequent to June 30, 2012, the Seminary obtained a \$500,000 line of credit to provide the liquidity to repay the amount owed to the endowment fund. The interest rate is prime rate subject to an interest rate floor of 3.50%. The line is secured by the Seminary's assets. The line expires December 31, 2013.

Endowment net asset composition by type of fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 225,027	\$ 2,083,098	\$ 2,308,125
Board-designated endowment funds	146,582	-	-	146,582
Undesignated endowment funds	<u>87,257</u>	<u>-</u>	<u>-</u>	<u>87,257</u>
Total endowment funds	<u>\$ 233,839</u>	<u>\$ 225,027</u>	<u>\$ 2,083,098</u>	<u>\$ 2,541,964</u>

Changes in endowment net assets in 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2011	<u>\$ 343,491</u>	<u>\$ 276,785</u>	<u>\$ 2,070,533</u>	<u>\$ 2,690,809</u>
Investment return:				
Investment income	18,159	27,337	-	45,496
Net realized and unrealized gains	<u>-</u>	<u>(79,095)</u>	<u>-</u>	<u>(79,095)</u>
Total investment return	<u>18,159</u>	<u>(51,758)</u>	<u>-</u>	<u>(33,599)</u>
Contributions and transfers	<u>56,453</u>	<u>-</u>	<u>8,315</u>	<u>64,768</u>
Change in charitable remainder trust	<u>-</u>	<u>-</u>	<u>4,250</u>	<u>4,250</u>
Funds released	<u>(184,264)</u>	<u>-</u>	<u>-</u>	<u>(184,264)</u>
Appropriation of endowment assets for expenditure (spending policy)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2012	<u>\$ 233,839</u>	<u>\$ 225,027</u>	<u>\$ 2,083,098</u>	<u>\$ 2,541,964</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2012 and 2011

Endowment net asset composition by type of fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 276,785	\$ 2,070,533	\$ 2,347,318
Board-designated endowment funds	83,570	-	-	83,570
Undesignated endowment funds	<u>259,921</u>	<u>-</u>	<u>-</u>	<u>259,921</u>
<b>Total endowment funds</b>	<u>\$ 343,491</u>	<u>\$ 276,785</u>	<u>\$ 2,070,533</u>	<u>\$ 2,690,809</u>

Changes in endowment net assets in 2011 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, as restated, July 1, 2010	\$ 274,888	\$ 103,564	\$ 1,692,457	\$ 2,070,909
Investment return:				
Investment income	80,558	32,458	-	113,016
Net realized and unrealized gains	<u>-</u>	<u>147,563</u>	<u>-</u>	<u>147,563</u>
<b>Total investment return</b>	<u>80,558</u>	<u>180,021</u>	<u>-</u>	<u>260,579</u>
Contributions and transfers	<u>185,781</u>	<u>(6,800)</u>	<u>208,826</u>	<u>387,807</u>
Contribution of charitable remainder trust	<u>-</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Change in charitable remainder trust	<u>-</u>	<u>-</u>	<u>4,250</u>	<u>4,250</u>
Funds released	<u>(185,781)</u>	<u>-</u>	<u>-</u>	<u>(185,781)</u>
Appropriation of endowment assets for expenditure (spending policy)	<u>(11,955)</u>	<u>-</u>	<u>-</u>	<u>(11,955)</u>
<b>Endowment net assets, June 30, 2011</b>	<u>\$ 343,491</u>	<u>\$ 276,785</u>	<u>\$ 2,070,533</u>	<u>\$ 2,690,809</u>

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2012 and 2011

### 8. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2012 and 2011 are as follows (in thousands):

	<u>2012</u>	<u>2011</u>
General services	\$ 904	\$ 837
General and administrative	523	410
Fundraising	<u>13</u>	<u>11</u>
Total	<u>\$ 1,440</u>	<u>\$ 1,258</u>

### 9. Commitments and Contingencies

The Seminary entered into a valid Agreement of Sale with the Western Wayne School District for a property valued at \$600,000 in 2011. The Seminary made a \$25,000 deposit on this property in 2011 and completed the sale in 2012.

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Seminary qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

### 10. Concentrations

The Seminary primarily maintains its cash and investments with financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures accounts to \$250,000 at each institution. The Seminary generally has cash on deposit in excess of insured amounts. The Seminary's contribution receivable balance represents a promise to give from an organization.

# St. Tikhon's Orthodox Theological Seminary

## Notes to Financial Statements

June 30, 2012 and 2011

### 11. Prior Period Adjustment

During the year ended June 30, 2012, the Seminary determined that a portion of their temporarily restricted net assets should be classified as unrestricted and permanently restricted net assets and, accordingly, restated its financial statements for the years ended June 30, 2010 and 2011. This determination was made based on management's review of original deposit information and gift documentation as well as management's interpretation of Pennsylvania law. The effect of the June 30, 2010 restatement decreased temporarily restricted net assets by \$502,379, increased unrestricted net assets by \$184,188, and increased permanently restricted net assets by \$318,190. The effect of the June 30, 2011 restatement decreased temporarily restricted net assets by \$82,533, increased unrestricted net assets by \$75,733 and increased permanently restricted net assets by \$6,800 and investment income within each class of assets. The restatements had no effect on total net assets or the increases in net assets for the years ended June 30, 2011 or 2012. The following is a summary of the effects of the restatements:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, as originally reported, June 30, 2010	\$ 1,278,346	\$ 605,942	\$ 1,374,267	\$ 3,258,555
Reclassification of investment income and contributions	<u>184,188</u>	<u>(502,378)</u>	<u>318,190</u>	<u>-</u>
Net assets, as restated, June 30, 2010	<u>1,462,534</u>	<u>103,564</u>	<u>1,692,457</u>	<u>3,258,555</u>
Increase in net assets, as originally reported, June 30, 2011	(104,134)	255,754	371,276	522,896
Reclassification of investment income and contributions	<u>75,733</u>	<u>(82,533)</u>	<u>6,800</u>	<u>-</u>
Increase in net assets, as restated, June 30, 2011	<u>(28,401)</u>	<u>173,221</u>	<u>378,076</u>	<u>522,896</u>
Net assets, as restated, June 30, 2011	<u>\$ 1,434,133</u>	<u>\$ 276,785</u>	<u>\$ 2,070,533</u>	<u>\$ 3,781,451</u>

# St. Tikhon's Orthodox Theological Seminary

## Schedule of Instructional, Administrative, and Operations Expenses

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Instructional</b>		
Faculty wages	\$ 278,125	\$ 278,108
Adjunct Faculty	75,577	40,128
Employee benefits	52,656	67,661
Pension	37,615	32,646
Payroll taxes	36,254	36,024
Donated services	36,000	35,500
Faculty housing	26,825	29,470
Faculty tuition	-	3,000
	<hr/>	<hr/>
Total instructional	<u>\$ 543,052</u>	<u>\$ 522,537</u>
<b>Administrative</b>		
Staff wages	\$ 231,380	\$ 217,572
Payroll taxes	50,473	43,149
Professional fees	43,782	31,859
Printing	42,486	15,640
Office supplies	39,321	32,997
Employee Benefits	38,107	27,419
Automobile	22,264	12,793
Travel	16,187	3,685
Bad Debt Expense	14,162	-
Pension	6,644	6,107
Dues and subscriptions	6,206	8,017
Equipment lease	5,920	7,377
Conferences	5,480	2,925
Interest	893	662
	<hr/>	<hr/>
Total administrative	<u>\$ 523,305</u>	<u>\$ 410,202</u>
<b>Operations</b>		
Insurance	\$ 74,412	\$ 76,412
Utilities	71,690	80,801
Depreciation	56,728	47,135
Repairs and maintenance	43,424	9,261
Interest	18,022	4,568
Taxes	7,100	1,344
Telephone	3,478	7,312
Supplies	1,067	2,019
	<hr/>	<hr/>
Total operations	<u>\$ 275,921</u>	<u>\$ 228,852</u>

# **St. Tikhon's Orthodox Theological Seminary**

Financial Statements and  
Supplementary Information

June 30, 2013 and 2012

# **St. Tikhon's Orthodox Theological Seminary**

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June 30, 2013 and 2012

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## Independent Auditors' Report

Board of Directors  
St. Tikhon's Orthodox Theological Seminary

### Report on the Financial Statements

We have audited the accompanying financial statements of St. Tikhon's Orthodox Theological Seminary, which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, changes in net assets, 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 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.



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Tikhon's Orthodox Theological Seminary as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information for 2013 and 2012 on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
April 21, 2014

## St. Tikhon's Orthodox Theological Seminary

Statement of Financial Position

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ -	\$ 495,696
Tuition receivable	288,333	108,176
Total current assets	288,333	603,872
<b>Cash and Cash Equivalents, Designated</b>	218,580	146,582
<b>Asset Held in Charitable Remainder Trust</b>	-	216,000
<b>Asset Held for Sale</b>	216,000	-
<b>Property and Equipment, Net</b>	1,764,380	1,817,869
<b>Certificates of Deposit</b>	700,877	684,647
<b>Investments</b>	1,246,369	1,127,510
Total assets	<u>\$ 4,434,539</u>	<u>\$ 4,596,480</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Cash overdraft	\$ 3,349	\$ -
Current portion of long-term debt	33,917	32,288
Accounts payable	26,182	43,952
Payroll taxes payable	334	-
Student deposits	6,815	7,693
Total current liabilities	70,597	83,933
<b>Obligation under Charitable Remainder Trust</b>	-	42,500
<b>Long-Term Debt</b>	536,882	573,642
Total liabilities	607,479	700,075
<b>Net Assets</b>		
Unrestricted:		
Undesignated	1,073,058	1,354,441
Board designated	315,293	233,839
Total unrestricted	1,388,351	1,588,280
Temporarily restricted	313,111	225,027
Permanently restricted	2,125,598	2,083,098
Total net assets	3,827,060	3,896,405
Total liabilities and net assets	<u>\$ 4,434,539</u>	<u>\$ 4,596,480</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Activities

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions	\$ 496,172	\$ 839,840
Tuition and scholarships	457,211	350,320
Net assets released from restriction	71,877	-
Bequests	38,000	299,652
Contributed services	36,000	36,000
Mission choir donations	30,879	19,334
Miscellaneous	28,626	30,709
Investment income	8,780	18,159
	<u>1,167,545</u>	<u>1,594,014</u>
<b>Expenses</b>		
Instructional	518,970	543,052
Administrative	412,652	523,305
Operations	321,312	275,921
Student services	86,704	73,306
Fundraising	16,277	13,070
Library	11,559	11,213
	<u>1,367,474</u>	<u>1,439,867</u>
Total expenses	<u>1,367,474</u>	<u>1,439,867</u>
(Decrease) increase in unrestricted net assets	<u>(199,929)</u>	<u>154,147</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment income	159,961	(51,758)
Net assets released from restriction	(71,877)	-
	<u>88,084</u>	<u>(51,758)</u>
Increase (decrease) in temporarily restricted net assets	<u>88,084</u>	<u>(51,758)</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Contributions	-	8,315
Change in valuation of charitable remainder trust	42,500	4,250
	<u>42,500</u>	<u>12,565</u>
Increase in permanently restricted net assets	<u>42,500</u>	<u>12,565</u>
(Decrease) increase in net assets	<u>\$ (69,345)</u>	<u>\$ 114,954</u>

See notes to financial statements

## St. Tikhon's Orthodox Theological Seminary

### Statement of Changes in Net Assets

Years Ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2011</b>	\$ 1,434,133	\$ 276,785	\$ 2,070,533	\$ 3,781,451
<b>Increase (Decrease) in Net Assets</b>	<u>154,147</u>	<u>(51,758)</u>	<u>12,565</u>	<u>114,954</u>
<b>Net Assets, June 30, 2012</b>	1,588,280	225,027	2,083,098	3,896,405
<b>Increase (Decrease) in Net Assets</b>	<u>(199,929)</u>	<u>88,084</u>	<u>42,500</u>	<u>(69,345)</u>
<b>Net Assets, June 30, 2013</b>	<u>\$ 1,388,351</u>	<u>\$ 313,111</u>	<u>\$ 2,125,598</u>	<u>\$ 3,827,060</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (69,345)	\$ 114,954
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	60,455	56,728
Accretion	(42,500)	(4,250)
Net realized and unrealized gains on investments	37,467	3,644
Changes in assets and liabilities:		
Tuition receivable	(180,157)	(74,324)
Contributions receivable	-	75,000
Accounts payable	(17,770)	23,729
Payroll taxes payable	334	
Student deposits	(878)	(9,887)
Net cash (used in) provided by operating activities	<u>(212,394)</u>	<u>185,594</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,172,880)	(292,556)
Proceeds from sale of investments	1,016,554	935,039
Purchase of property and equipment	(6,966)	(912,144)
Increase in certificates of deposit	(16,230)	(20,295)
Increase in cash and cash equivalents, designated	(71,998)	(63,012)
Net cash used in investing activities	<u>(251,520)</u>	<u>(352,968)</u>
<b>Cash Flows from Financing Activities</b>		
Cash overdraft	3,349	-
Proceeds from long-term debt	-	600,000
Repayment of long-term debt	(35,131)	(64,843)
Net cash (used in) provided by financing activities	<u>(31,782)</u>	<u>535,157</u>
(Decrease) increase in cash and cash equivalents	(495,696)	367,783
<b>Cash and Cash Equivalents, Beginning</b>	<u>495,696</u>	<u>127,913</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ -</u>	<u>\$ 495,696</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 28,758</u>	<u>\$ 18,022</u>

See notes to financial statements

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2013 and 2012

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

St. Tikhon's Orthodox Theological Seminary (the "Seminary") was founded in 1938 as a Pastoral School by resolution of the 6th All-American Sobor of the Russian Orthodox Greek Catholic Church in North America and was officially transformed from a Pastoral School into a Seminary by the Holy Synod of the Metropolis in 1942.

The Seminary is an institution of professional Orthodox Christian theological education, chartered by the Department of Education of the Commonwealth of Pennsylvania and affiliated with the Orthodox Church in America. The primary mission of the Seminary lies in providing the necessary theological, liturgical, spiritual, and moral foundations for Orthodox men to become, as God so wills, good shepherds of His Holy Orthodox Church.

The Seminary evaluated subsequent events for recognition or disclosure through April 21, 2014, the date the financial statements were available to be issued.

### **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 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 period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents (including amounts designated) include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

Cash and cash equivalents, designated are restricted by the board for certain projects or purposes.

### **Tuition Receivable**

Tuition receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

### **Certificates of Deposit**

Certificates of deposit are recorded at cost.

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2013 and 2012

## **Investments and Investment Risk**

Investments in marketable equity securities and mutual funds are carried at fair value based upon quoted market prices of the securities. The carrying amount of cash and money market funds approximates fair value based on the short-term nature of these investments.

Investment income or loss (including realized gains and losses on investments, unrealized gains or losses on other than trading securities, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the statement of activities as unrestricted income unless the income or loss is restricted by donor or law.

The Seminary's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

## **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset. Depreciation was \$60,455 in 2013 and \$56,728 in 2012.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

## **Tuition Revenue Recognition**

Tuition revenue is recorded in the year earned. Tuition received in advance of the ensuing school year is recorded as deferred revenue until earned.

## **Split-Interest Agreement**

The Seminary is a party to a split-interest agreement, known as a charitable remainder trust. The Seminary reports separately the asset and liability of its split-interest agreement in the statement of financial position, and it reports separately contribution revenue from the split-interest agreement and the change in valuation of the split-interest agreement in its statement of activities.

A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust the remaining asset is transferred to the Seminary in accordance with the donor's stated restriction.

# **St. Tikhon's Orthodox Theological Seminary**

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## Notes to Financial Statements

June 30, 2013 and 2012

The Seminary is a party to an agreement whereby title of real estate was deeded to the Seminary (asset held in charitable remainder trust). As part of the agreement, a beneficiary was given the right to utilize the real estate until death. The Seminary recorded an asset at fair value at the date of gift. The difference between the fair value of the asset and the present value of the future benefit discounted over the beneficiaries' actuarially determined life expectancy was recorded as a liability (obligation under charitable remainder trust). Amortization of the liability and changes in the charitable remainder trust are recognized as changes in the valuation of the charitable remainder trust. As the beneficiary passed away in April 2013, the liability was extinguished and the real estate is held for sale as of June 30, 2013.

### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Seminary has been limited by donors to a specific time period or purpose. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Seminary in perpetuity. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose. The net depreciation of investments classified as permanently restricted reduces unrestricted net assets. Any future gains will be used to restore the cumulative deficiency within unrestricted net assets. Once unrestricted net assets have been fully restored, net appreciation will be recorded within either temporarily or permanently restricted net assets, as required by the donor's restriction.

### **Contributed Services**

For the years ended June 30, 2013 and 2012, the Seminary recorded contributions in the amount of \$36,000 for the services performed by priests in the classroom as part-time uncompensated faculty. These amounts represent the estimated compensation that would have to be paid to a faculty member providing services for compensation at the Seminary's pay scale in effect for that period.

### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.



# St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements  
June 30, 2013 and 2012

## Income Taxes

The Seminary is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Seminary accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2013 and 2012.

## New Accounting Standards

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale of Proceeds of Donated Financial Assets in the Statement of Cash Flows*. This amendment addresses the diversity in practice with regard to the presentation of cash receipts from the sale of donated assets in the statement of cash flows. Under this update, a not-for-profit entity will be required to classify cash receipts from the sale of donated financial assets as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes. This update is effective for the Seminary's fiscal year beginning July 1, 2013. The guidance is prospective and management does not believe the adoption of this ASU will have a significant impact on the Seminary's financial position or results of operations.

In April 2013, the FASB issued ASU 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. This amendment will require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Such services will be required to be measured at the cost recognized by the affiliate for the personnel providing those services. However, if this measurement will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either the cost recognized by the affiliate for the personnel providing that service or the fair value of that service. This update is effective for the Seminary's fiscal year beginning July 1, 2014. The guidance is prospective and management does not believe the adoption of this ASU will have a significant impact on the Seminary's financial position or results of operations.

## Reclassification

Certain amounts relating to 2012 have been reclassified to conform to the 2013 reporting format.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2013 and 2012

### 2. Property and Equipment and Accumulated Depreciation

Property and equipment and accumulated depreciation as of June 30 are as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 70,601	\$ 70,601
Buildings and improvements	1,936,683	1,936,683
Furniture	94,196	87,230
Equipment	76,191	76,191
Vehicle	68,968	68,968
Building (held for future development)	614,668	614,668
	<u>2,861,307</u>	<u>2,854,341</u>
Total	2,861,307	2,854,341
Less accumulated depreciation	<u>1,096,927</u>	<u>1,036,472</u>
Property and equipment, net	<u>\$ 1,764,380</u>	<u>\$ 1,817,869</u>

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	<u>2013</u>	<u>2012</u>
Money market	\$ 214,957	\$ 166,797
Marketable equity securities:		
Energy	105,251	282,305
Information technology	149,801	38,570
Health care	123,240	140,423
Consumer goods	-	275,528
Telecommunications	-	104,872
Financial	90,620	20,317
Industrial	245,718	98,698
Utilities	122,890	-
Materials	84,747	-
Other	109,145	-
	<u>1,246,369</u>	<u>1,127,510</u>
Total	<u>\$ 1,246,369</u>	<u>\$ 1,127,510</u>

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2013 and 2012

Investment return for cash and cash equivalents and investments is comprised of the following for the years ended June 30:

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 8,780	\$ 30,615	\$ 39,395	\$ 18,159	\$ 27,337	\$ 45,496
Realized and unrealized gains (losses) on investments	-	129,346	129,346	-	(79,095)	(79,095)
Total investment return (loss)	<u>\$ 8,780</u>	<u>\$ 159,961</u>	<u>\$ 168,741</u>	<u>\$ 18,159</u>	<u>\$ (51,758)</u>	<u>\$ (33,599)</u>

Investment fees totaled \$5,857 in 2013 and \$6,770 in 2012. These amounts are netted against the total investment return (loss).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy for disclosure of the inputs to valuation used to measure fair value prioritizes the inputs into three broad levels as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - 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; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 - Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2013 and 2012

The Seminary's assets measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30 are as follows:

	<b>2013</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 214,957	\$ 214,957	\$ -	\$ -
Marketable equity securities:				
Energy	105,251	105,251	-	-
Information technology	149,801	149,801	-	-
Health care	123,240	123,240	-	-
Financial	90,620	90,620	-	-
Industrial	245,718	245,718	-	-
Utilities	122,890	122,890	-	-
Materials	84,747	84,747	-	-
Other	109,145	109,145	-	-
Total	<u>\$ 1,246,369</u>	<u>\$ 1,246,369</u>	<u>\$ -</u>	<u>\$ -</u>
	<b>2012</b>			
Money market	\$ 166,797	\$ 166,797	\$ -	\$ -
Marketable equity securities:				
Energy	282,305	282,305	-	-
Information technology	38,570	38,570	-	-
Health care	140,423	140,423	-	-
Consumer goods	275,528	275,528	-	-
Telecommunications	104,872	104,872	-	-
Financial	20,317	20,317	-	-
Industrial	98,698	98,698	-	-
Total investments	1,127,510	1,127,510	-	-
Assets held in charitable remainder trust	216,000	-	-	216,000
Total	<u>\$ 1,343,510</u>	<u>\$ 1,127,510</u>	<u>\$ -</u>	<u>\$ 216,000</u>

The following is a description of the valuation methodologies used to determine fair value:

Investments: The carrying value of money market accounts approximates fair value because of the short-term maturity of these instruments. Marketable equity securities are measured at fair value using quoted market prices for identical assets.

Asset held in charitable remainder trust: The fair value of the asset held in the charitable remainder trust is based on the present value of the underlying real estate.

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2013 and 2012

The Level 3 reconciliation at June 30, 2013 is as follows:

<u>Description</u>	<u>Asset Held in Charitable Remainder Trust</u>
Balance at June 30, 2012	\$ 216,000
Addition / Withdrawal	<u>(216,000)</u>
Balance at June 30, 2013	<u>\$ -</u>

The change in value of the asset held in the charitable remainder trust is reduced by the change in value of the obligation under charitable remainder trust. This net value is recognized in the change in valuation of the charitable remainder trust under changes in permanently restricted net assets in the statement of activities.

## 4. Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Loan payable, with interest at 1.9%. Monthly principal and interest payments of \$446 are due through February 2016, secured by a vehicle	\$ 13,951	\$ 18,985
Loan payable, with interest at 5%. Monthly principal and interest payments of \$2,373 are due through December 2016, secured by the Philadelphia Trust investment account valued at 125% or more of the loan value for the duration of the loan	276,227	293,212
Loan payable, with interest at 6%. Monthly principal and interest payments of \$2,532 are due through December 2026, secured by property owned by the Seminary	<u>280,621</u>	<u>293,733</u>
	570,799	605,930
Less current portion	<u>(33,917)</u>	<u>(32,288)</u>
Total	<u>\$ 536,882</u>	<u>\$ 573,642</u>

## St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements  
June 30, 2013 and 2012

Scheduled principal repayments for periods subsequent to June 30, 2013 are as follows:

Years ending June 30:	
2014	\$ 33,917
2015	35,634
2016	35,651
2017	246,023
2018	17,685
Thereafter	<u>201,889</u>
Total	<u>\$ 570,799</u>

### 5. Commitments and Subsequent Events

The Seminary has available for working capital purposes a \$500,000 line of credit arrangement with a bank. Borrowings on the line of credit bear interest at the bank's prime rate plus .25% (3.50% at June 30, 2013). The line of credit is secured by the business assets of the Seminary and renews annually. There were no borrowings on this facility at June 30, 2013 and 2012.

The line of credit agreement requires the Seminary to maintain certain financial ratios. The Seminary was not in compliance with one of these ratios as of June 30, 2013. The bank waived this covenant violation on April 3, 2014. The next measurement date is June 30, 2014.

In November 2013, the Seminary borrowed \$372,176 on this facility to reimburse amounts owed to its endowment fund.

### 6. Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan ("the Plan"). The Plan is a non-electing church plan, and is not governed by the terms of the Employer Retirement Income Security Act of 1974 ("ERISA").

The Plan is a defined benefit pension plan covering substantially all employees of the Orthodox Church in America ("the Church"), including organizations under the Church's jurisdiction.

The Plan provides retirement and death benefits to participating members and their spouses which are based upon years of service, the participating member's compensation level and the amount of the participating member's deferrals.

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2013 and 2012

The plan administrator is the Pension Board comprised of not less than three (3) persons appointed by the Church. A valuation of the plan is required at least once every three years by an enrolled actuary as defined under the Employee Retirement Income Security Act of 1974 to determine the contributions needed to maintain the plan on a sound actuarial basis. The contributions needed to support the plan shall be changed from time to time based upon the results of these valuations.

Participating members are required at a minimum to contribute 6% of their qualifying salary (including amounts paid as housing allowances for clergy) to the Plan, with the employer contributing an additional 6%. The vesting schedule of the Plan is as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
5	10%
6	20%
7	30%
8	40%
9	50%
10	60%
11	70%
12	80%
13	90%
14 or more	100%

The most recent valuation of the Plan (January 1, 2013) determined that the liabilities of the Plan exceeded the actuarial value of the Plan's assets. The unfunded liability must be funded through future contributions. No specific allocation of the unfunded liability is made to individual employees or employers.

## 7. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	<u>2013</u>	<u>2012</u>
Restricted for, Scholarships	<u>\$ 313,111</u>	<u>\$ 225,027</u>

Permanently restricted net assets at June 30 consist of the following:

Restricted for:		
Scholarships	\$ 1,274,129	\$ 1,274,129
General endowments	<u>851,469</u>	<u>808,969</u>
Total	<u>\$ 2,125,598</u>	<u>\$ 2,083,098</u>

## St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements  
June 30, 2013 and 2012

### 8. Endowment Funds

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Seminary has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary 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 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 that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The Seminary considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the Seminary and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected return from income and the appreciation of investments, the investment policies of the Seminary, and other resources of the Seminary.

The Seminary has adopted 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 Seminary must hold in perpetuity as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the Seminary relies on a balanced investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seminary targets a diversified asset allocation to achieve its long-term return objectives guided by its policy.

The Seminary has a policy of appropriating for distribution accumulated investment income (interest and dividends) as approved by the Board of Trustees. This policy is consistent with the Seminary's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

During 2012, the Seminary borrowed \$409,720 from its endowment fund. Of this amount, \$37,544 was restored prior to June 30, 2013 and the balance of \$372,176 was restored in November 2013.



## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2013 and 2012

Endowment net asset composition by type of fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	313,111	2,125,598	\$ 2,438,709
Board-designated endowment funds	<u>315,293</u>	<u>-</u>	<u>-</u>	<u>315,293</u>
Total endowment funds	<u>\$ 315,293</u>	<u>\$ 313,111</u>	<u>\$ 2,125,598</u>	<u>\$ 2,754,002</u>

Changes in endowment net assets in 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	<u>\$ 233,839</u>	<u>225,027</u>	<u>2,083,098</u>	<u>\$ 2,541,964</u>
Investment return:				
Investment income	8,780	30,615	-	39,395
Net realized and unrealized gains	<u>-</u>	<u>129,346</u>	<u>-</u>	<u>129,346</u>
Total investment return	<u>8,780</u>	<u>159,961</u>	<u>-</u>	<u>168,741</u>
Contributions and transfers	<u>72,674</u>	<u>-</u>	<u>-</u>	<u>72,674</u>
Change in charitable remainder trust	<u>-</u>	<u>-</u>	<u>42,500</u>	<u>42,500</u>
Funds released from restriction	<u>71,877</u>	<u>(71,877)</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure (spending policy)	<u>(71,877)</u>	<u>-</u>	<u>-</u>	<u>(71,877)</u>
Endowment net assets, June 30, 2013	<u>\$ 315,293</u>	<u>\$ 313,111</u>	<u>\$ 2,125,598</u>	<u>\$ 2,754,002</u>

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2013 and 2012

Endowment net asset composition by type of fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 225,027	\$ 2,083,098	\$ 2,308,125
Board-designated endowment funds	<u>233,839</u>	<u>-</u>	<u>-</u>	<u>233,839</u>
Total endowment funds	<u>\$ 233,839</u>	<u>\$ 225,027</u>	<u>\$ 2,083,098</u>	<u>\$ 2,541,964</u>

Changes in endowment net assets in 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2011	<u>\$ 343,491</u>	<u>\$ 276,785</u>	<u>\$ 2,070,533</u>	<u>\$ 2,690,809</u>
Investment return:				
Investment income	18,159	27,337	-	45,496
Net realized and unrealized gains	<u>-</u>	<u>(79,095)</u>	<u>-</u>	<u>(79,095)</u>
Total investment return	<u>18,159</u>	<u>(51,758)</u>	<u>-</u>	<u>(33,599)</u>
Contributions and transfers	<u>56,453</u>	<u>-</u>	<u>8,315</u>	<u>64,768</u>
Change in charitable remainder trust	<u>-</u>	<u>-</u>	<u>4,250</u>	<u>4,250</u>
Appropriation of endowment assets for expenditure (spending policy)	<u>(184,264)</u>	<u>-</u>	<u>-</u>	<u>(184,264)</u>
Endowment net assets, June 30, 2012	<u>\$ 233,839</u>	<u>\$ 225,027</u>	<u>\$ 2,083,098</u>	<u>\$ 2,541,964</u>

## St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements

June 30, 2013 and 2012

### 9. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2013 and 2012 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
General services	\$ 938	\$ 904
General and administrative	413	523
Fundraising	<u>16</u>	<u>13</u>
Total	<u>\$ 1,367</u>	<u>\$ 1,440</u>

### 10. Concentrations

The Seminary primarily maintains its cash and investments with financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures accounts to \$250,000 at each institution. The Seminary generally has cash on deposit in excess of insured amounts.

## St. Tikhon's Orthodox Theological Seminary

### Schedule of Instructional, Administrative, and Operations Expenses

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Instructional</b>		
Faculty wages	\$ 282,506	\$ 278,125
Adjunct Faculty	85,034	75,577
Employee benefits	41,139	52,656
Pension	29,332	37,615
Payroll taxes	29,311	36,254
Donated services	36,000	36,000
Faculty housing	15,648	26,825
	<u>518,970</u>	<u>543,052</u>
Total instructional	<u>\$ 518,970</u>	<u>\$ 543,052</u>
<b>Administrative</b>		
Staff wages	\$ 148,758	\$ 231,380
Employee Benefits	56,050	38,107
Printing	42,727	42,486
Payroll taxes	36,372	50,473
Professional fees	36,170	43,782
Office supplies	36,032	39,321
Automobile	16,146	22,264
Conferences	13,956	5,480
Travel	9,823	16,187
Equipment lease	7,693	5,920
Pension	6,077	6,644
Dues and subscriptions	1,647	6,206
Interest	1,201	893
Bad Debt Expense	-	14,162
	<u>412,652</u>	<u>523,305</u>
Total administrative	<u>\$ 412,652</u>	<u>\$ 523,305</u>
<b>Operations</b>		
Utilities	\$ 84,723	\$ 71,690
Insurance	73,921	74,412
Depreciation	60,455	56,728
Repairs and maintenance	58,539	43,424
Interest	28,758	18,022
Taxes	7,359	7,100
Telephone	4,320	3,478
Supplies	3,237	1,067
	<u>321,312</u>	<u>275,921</u>
Total operations	<u>\$ 321,312</u>	<u>\$ 275,921</u>

**St. Tikhon's Orthodox  
Theological Seminary**

Financial Statements and  
Supplementary Information

June 30, 2014 and 2013



**BAKER TILLY**

Candor. Insight. Results.

# **St. Tikhon's Orthodox Theological Seminary**

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June 30, 2014 and 2013

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formerly  
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## Independent Auditors' Report

Board of Directors  
St. Tikhon's Orthodox Theological Seminary

### Report on the Financial Statements

We have audited the accompanying financial statements of St. Tikhon's Orthodox Theological Seminary, which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, changes in net assets, 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Tikhon's Orthodox Theological Seminary as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information for 2014 and 2013 on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Wilkes-Barre, Pennsylvania  
May 14, 2015



# St. Tikhon's Orthodox Theological Seminary

Statement of Financial Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,231	\$ -
Tuition receivable	16,008	288,333
Due from affiliate	6,029	6,822
	<hr/>	<hr/>
Total current assets	44,268	295,155
<b>Cash and Cash Equivalents, Designated</b>	202,437	218,580
<b>Asset Held for Sale</b>	183,152	216,000
<b>Due from Affiliate</b>	-	6,029
<b>Property and Equipment, Net</b>	1,722,135	1,764,380
<b>Certificates of Deposit</b>	499,065	700,877
<b>Investments</b>	1,688,840	1,246,369
	<hr/>	<hr/>
Total assets	<u>\$ 4,339,897</u>	<u>\$ 4,447,390</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Cash overdraft	\$ -	\$ 3,349
Current portion of long-term debt	121,663	40,739
Revolving line of credit	472,151	-
Accounts payable	23,124	26,182
Payroll taxes payable	367	334
Student deposits	4,733	6,815
	<hr/>	<hr/>
Total current liabilities	622,038	77,419
<b>Long-Term Debt</b>	499,144	542,911
	<hr/>	<hr/>
Total liabilities	<u>1,121,182</u>	<u>620,330</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	664,115	1,073,058
Board designated	232,014	315,293
	<hr/>	<hr/>
Total unrestricted	896,129	1,388,351
Temporarily restricted	514,019	313,111
Permanently restricted	1,808,567	2,125,598
	<hr/>	<hr/>
Total net assets	<u>3,218,715</u>	<u>3,827,060</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 4,339,897</u>	<u>\$ 4,447,390</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Activities

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions	\$ 255,547	\$ 313,718
Tuition and scholarships less scholarships applied of \$450,840 in 2014	129,249	652,459
Net assets released from restriction	326,494	71,877
Bequests	5,000	38,000
Contributed services	36,000	36,000
Mission choir donations	31,865	30,879
Miscellaneous	34,975	15,832
Investment income	18	8,780
	<u>819,148</u>	<u>1,167,545</u>
<b>Expenses</b>		
Instructional	553,310	518,970
Administrative	346,574	412,652
Operations	306,039	321,312
Student services	80,822	86,704
Fundraising	14,147	16,277
Library	10,478	11,559
	<u>1,311,370</u>	<u>1,367,474</u>
Total expenses	<u>1,311,370</u>	<u>1,367,474</u>
Decrease in unrestricted net assets	<u>(492,222)</u>	<u>(199,929)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment income	326,049	159,961
Net assets released from restriction	<u>(125,141)</u>	<u>(71,877)</u>
Increase in temporarily restricted net assets	<u>200,908</u>	<u>88,084</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Net assets released from restriction	(201,353)	-
Change in valuation of asset held for sale	(115,678)	-
Change in valuation of charitable remainder trust	<u>-</u>	<u>42,500</u>
(Decrease) increase in permanently restricted net assets	<u>(317,031)</u>	<u>42,500</u>
Decrease in net assets	<u>\$ (608,345)</u>	<u>\$ (69,345)</u>

See notes to financial statements

## St. Tikhon's Orthodox Theological Seminary

### Statement of Changes in Net Assets

Years Ended June 30, 2014 and 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2012</b>	\$ 1,588,280	\$ 225,027	\$ 2,083,098	\$ 3,896,405
<b>Increase (Decrease) in Net Assets</b>	<u>(199,929)</u>	<u>88,084</u>	<u>42,500</u>	<u>(69,345)</u>
<b>Net Assets, June 30, 2013</b>	1,388,351	313,111	2,125,598	3,827,060
<b>Increase (Decrease) in Net Assets</b>	<u>(492,222)</u>	<u>200,908</u>	<u>(317,031)</u>	<u>(608,345)</u>
<b>Net Assets, June 30, 2014</b>	<u>\$ 896,129</u>	<u>\$ 514,019</u>	<u>\$ 1,808,567</u>	<u>\$ 3,218,715</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Cash Flows

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (608,345)	\$ (69,345)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	62,544	60,455
Accretion	-	(42,500)
Change in valuation of asset held for sale	115,678	-
Net unrealized gains on investments	214,343	37,467
Changes in assets and liabilities:		
Tuition receivable	272,325	(180,157)
Due from affiliate	6,822	6,389
Accounts payable	(3,058)	(17,770)
Payroll taxes payable	33	334
Student deposits	(2,082)	(878)
Net cash provided by (used in) operating activities	<u>58,260</u>	<u>(206,005)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,526,099)	(1,172,880)
Proceeds from sale of investments	869,285	1,016,554
Purchase of property and equipment	(20,299)	(6,966)
Investment in asset held for sale	(82,830)	
Decrease (increase) in certificates of deposit	201,812	(16,230)
Decrease (increase) in cash and cash equivalents, designated	16,143	(71,998)
Net cash used in investing activities	<u>(541,988)</u>	<u>(251,520)</u>
<b>Cash Flows from Financing Activities</b>		
Cash overdraft (decrease) increase	(3,349)	3,349
Proceeds from revolving line of credit	472,151	-
Proceeds from long-term debt	80,000	-
Repayment of long-term debt	(42,843)	(41,520)
Net cash provided by (used in) financing activities	<u>505,959</u>	<u>(38,171)</u>
Net change in cash and cash equivalents	22,231	(495,696)
<b>Cash and Cash Equivalents, Beginning</b>	-	495,696
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 22,231</u>	<u>\$ -</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 27,674</u>	<u>\$ 28,758</u>

See notes to financial statements

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2014 and 2013

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

St. Tikhon's Orthodox Theological Seminary (the "Seminary") was founded in 1938 as a Pastoral School by resolution of the 6th All-American Sobor of the Russian Orthodox Greek Catholic Church in North America and was officially transformed from a Pastoral School into a Seminary by the Holy Synod of the Metropolis in 1942.

The Seminary is an institution of professional Orthodox Christian theological education, chartered by the Department of Education of the Commonwealth of Pennsylvania and affiliated with the Orthodox Church in America. The primary mission of the Seminary lies in providing the necessary theological, liturgical, spiritual, and moral foundations for Orthodox men to become, as God so wills, good shepherds of His Holy Orthodox Church.

The Seminary evaluated subsequent events for recognition or disclosure through May 14, 2015 the date the financial statements were available to be issued.

### **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 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 period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents (including amounts designated) include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

Cash and cash equivalents, designated are restricted by the board for certain projects or purposes.

### **Tuition Receivable**

Tuition receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

### **Certificates of Deposit**

Certificates of deposit are recorded at cost.

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2014 and 2013

## **Investments and Investment Risk**

Investments in marketable equity securities and mutual funds are carried at fair value based upon quoted market prices of the securities. The carrying amount of cash and money market funds approximates fair value based on the short-term nature of these investments.

Investment income or loss (including realized gains and losses on investments, unrealized gains or losses on other than trading securities, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the statement of activities as unrestricted income unless the income or loss is restricted by donor or law.

The Seminary's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

## **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset. Depreciation expense was \$62,544 in 2014 and \$60,455 in 2013.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Seminary reviews its long-lived assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. If these future cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There was no such impairment in 2014 or 2013.

## **Tuition Revenue Recognition**

Tuition revenue is recorded in the year earned and presented net of scholarships applied. Tuition received in advance of the ensuing school year is recorded as deferred revenue until earned. In 2014, \$450,840 of scholarships were approved and applied against tuition revenue. Of this amount, \$230,171 in scholarships related to tuition revenues recognized in prior years with outstanding balances and \$220,669 in scholarships related to current year tuition revenues.

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements  
June 30, 2014 and 2013

## **Split-Interest Agreement**

The Seminary is a party to a split-interest agreement, known as a charitable remainder trust. The Seminary reports separately the asset and liability of its split-interest agreement in the statement of financial position, and it reports separately contribution revenue from the split-interest agreement and the change in valuation of the split-interest agreement in its statement of activities.

A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust the remaining asset is transferred to the Seminary in accordance with the donor's stated restriction.

The Seminary is a party to an agreement whereby title of real estate was deeded to the Seminary (asset held in charitable remainder trust). As part of the agreement, a beneficiary was given the right to utilize the real estate until death. The Seminary recorded an asset at fair value at the date of gift. The difference between the fair value of the asset and the present value of the future benefit discounted over the beneficiaries' actuarially determined life expectancy was recorded as a liability (obligation under charitable remainder trust). Amortization of the liability and changes in the charitable remainder trust are recognized as changes in the valuation of the charitable remainder trust. As the beneficiary passed away in April 2013, the liability was extinguished and the real estate is held for sale as of June 30, 2014. The asset was sold in November 2014 and a loan payable with a balance of \$80,000 at June 30, 2014 secured by this property was repaid with the proceeds in the month of sale.

## **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Seminary has been limited by donors to a specific time period or purpose. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Seminary in perpetuity. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose. The net depreciation of investments classified as permanently restricted reduces unrestricted net assets. Any future gains will be used to restore the cumulative deficiency within unrestricted net assets. Once unrestricted net assets have been fully restored, net appreciation will be recorded within either temporarily or permanently restricted net assets, as required by the donor's restriction.

## **Contributed Services**

For the years ended June 30, 2014 and 2013, the Seminary recorded contributions in the amount of \$36,000 for the services performed by priests in the classroom as part-time uncompensated faculty. These amounts represent the estimated compensation that would have to be paid to a faculty member providing services for compensation at the Seminary's pay scale in effect for that period.

# St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements

June 30, 2014 and 2013

## Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## Income Taxes

The Seminary is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Seminary accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2014 and 2013.

## New Accounting Standards

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale of Proceeds of Donated Financial Assets in the Statement of Cash Flows*. This amendment addresses the diversity in practice with regard to the presentation of cash receipts from the sale of donated assets in the statement of cash flows. Under this update, a not-for-profit entity will be required to classify cash receipts from the sale of donated financial assets as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes. This update was adopted for the Seminary's fiscal year beginning July 1, 2013 and did not have a significant impact on the Seminary's financial position or results of operations.

In April 2013, the FASB issued ASU 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. This amendment will require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Such services will be required to be measured at the cost recognized by the affiliate for the personnel providing those services. However, if this measurement will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either the cost recognized by the affiliate for the personnel providing that service or the fair value of that service. This update is effective for the Seminary's fiscal year beginning July 1, 2014. The guidance is prospective and management does not believe the adoption of this ASU will have a significant impact on the Seminary's financial position or results of operations.

## Reclassification

Certain amounts relating to 2013 have been reclassified to conform to the 2014 reporting format.



## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2014 and 2013

### 2. Property and Equipment and Accumulated Depreciation

Property and equipment and accumulated depreciation as of June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 70,601	\$ 70,601
Buildings and improvements	1,950,082	1,936,683
Furniture	94,196	94,196
Equipment	76,191	76,191
Vehicle	68,968	68,968
Building (held for future development)	621,568	614,668
	<u>2,881,606</u>	<u>2,861,307</u>
Total	2,881,606	2,861,307
Less accumulated depreciation	<u>1,159,471</u>	<u>1,096,927</u>
Property and equipment, net	<u>\$ 1,722,135</u>	<u>\$ 1,764,380</u>

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	<u>2014</u>	<u>2013</u>
Money market	\$ 140,492	\$ 214,957
Corporate bonds	30,027	-
Marketable equity securities:		
Energy	208,350	105,251
Information technology	225,539	149,801
Health care	134,960	123,240
Consumer goods	108,376	-
Financial	-	90,620
Industrial	310,263	245,718
Utilities	223,634	122,890
Materials	106,655	84,747
Other	200,544	109,145
	<u>200,544</u>	<u>109,145</u>
Total	<u>\$ 1,688,840</u>	<u>\$ 1,246,369</u>

## St. Tikhon's Orthodox Theological Seminary

### Notes to Financial Statements

June 30, 2014 and 2013

Investment return for cash and cash equivalents and investments is comprised of the following for the years ended June 30:

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 18	\$ 39,571	\$ 39,589	\$ 8,780	\$ 30,615	\$ 39,395
Realized and unrealized gains (losses) on investments	-	286,478	286,478	-	129,346	129,346
Total investment return (loss)	<u>\$ 18</u>	<u>\$ 326,049</u>	<u>\$ 326,067</u>	<u>\$ 8,780</u>	<u>\$ 159,961</u>	<u>\$ 168,741</u>

Investment fees totaled \$7,127 in 2014 and \$5,857 in 2013. These amounts are netted against unrestricted interest and dividend income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy for disclosure of the inputs to valuation used to measure fair value prioritizes the inputs into three broad levels as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - 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; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 - Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

## St. Tikhon's Orthodox Theological Seminary

### Notes to Financial Statements

June 30, 2014 and 2013

The Seminary's assets measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30 are as follows:

	2014			
	Total	Level 1	Level 2	Level 3
Money market	\$ 140,492	\$ 140,492	\$ -	\$ -
Corporate bonds	30,027	30,027	-	-
Marketable equity securities:				
Energy	208,350	208,350	-	-
Information technology	225,539	225,539	-	-
Health care	134,960	134,960	-	-
Consumer goods	108,376	108,376	-	-
Industrial	310,263	310,263	-	-
Utilities	223,634	223,634	-	-
Materials	106,655	106,655	-	-
Other	200,544	200,544	-	-
Total	<u>\$ 1,688,840</u>	<u>\$ 1,688,840</u>	<u>\$ -</u>	<u>\$ -</u>
2013				
Money market	\$ 214,957	\$ 214,957	\$ -	\$ -
Marketable equity securities:				
Energy	105,251	105,251	-	-
Information technology	149,801	149,801	-	-
Health care	123,240	123,240	-	-
Financial	90,620	90,620	-	-
Industrial	245,718	245,718	-	-
Utilities	122,890	122,890	-	-
Materials	84,747	84,747	-	-
Other	109,145	109,145	-	-
Total	<u>\$ 1,246,369</u>	<u>\$ 1,246,369</u>	<u>\$ -</u>	<u>\$ -</u>

The following is a description of the valuation methodologies used to determine fair value:

Investments: The carrying value of money market accounts approximates fair value because of the short-term maturity of these instruments. Marketable equity securities are measured at fair value using quoted market prices for identical assets.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2014 and 2013

### 4. Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Loan payable, with interest at 1.9%. Monthly principal and interest payments of \$446 are due through February 2016, secured by a vehicle.	\$ 9,256	\$ 13,951
Loan payable, with interest at 5%. Monthly principal and interest payments of \$2,373 are due through December 2016, secured by the Philadelphia Trust investment account valued at 125% or more of the loan value for the duration of the loan.	261,224	276,227
Loan payable, with interest at 6%. Monthly principal and interest payments of \$2,532 are due through December 2026, secured by property owned by the Seminary	264,298	280,621
Loan payable, with interest at 6.49%. Monthly principal and interest payments of \$622 are due through April 2015, secured by a vehicle. This loan is paid by St. Tikhon's Orthodox Monastery (the "Affiliate") and it has been agreed that at the end of the loan term, the vehicle will be transferred from the Seminary to the Affiliate. A due from affiliate amount has been recorded on the Statement of Financial Position to offset the loan balance.	6,029	12,851
Loan payable, with no interest charged. The balance is to be paid-in-full upon the sale of a property classified as an asset held for sale on the Statement of Financial Position. The loan was secured by the real estate and was repaid in 2014 when the property was sold.	80,000	-
	620,807	583,650
Less current portion	<u>(121,663)</u>	<u>(40,739)</u>
Total	<u>\$ 499,144</u>	<u>\$ 542,911</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2014 and 2013

Scheduled principal repayments for periods subsequent to June 30, 2014 are as follows:

Years ending June 30:	
2015	\$ 121,663
2016	36,094
2017	245,879
2018	17,685
2019	18,776
Thereafter	<u>180,710</u>
Total	<u>\$ 620,807</u>

## 5. Commitments and Subsequent Events

The Seminary has available for working capital purposes a \$500,000 line of credit arrangement with a bank. Borrowings on the line of credit bear interest at the bank's prime rate plus .25% (3.50% at June 30, 2014). The line of credit is secured by the business assets of the Seminary and renews annually. Borrowings totaled \$472,151 at June 30, 2014.

The line of credit agreement requires the Seminary to maintain certain financial ratios. The Seminary was not in compliance with one of these ratios as of June 30, 2014. The bank waived this covenant violation on March 20, 2015. The next measurement date is June 30, 2015.

As of June 30, 2014, the Seminary had borrowed \$63,935 from its endowment fund (Note 8). In December 2014, a bequest was received totaling \$260,455 which was deposited into the Seminary's endowment fund. These funds were unrestricted in nature and used in part to repay the amount borrowed as of June 30, 2014.

The Seminary had real estate held for sale at June 30, 2014 which was donated in a prior year (Note 1). In order to prepare this property for sale, a loan totaling \$80,000 was advanced to the Seminary with the real estate being used as collateral (Note 4). In November 2014, this property was sold for \$183,152 and the loan payable was paid-in-full once the proceeds from the sale were received by the Seminary.

## 6. Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan ("the Plan"). The Plan is a non-electing church plan, and is not governed by the terms of the Employer Retirement Income Security Act of 1974 ("ERISA").

The Plan is a defined benefit pension plan covering substantially all employees of the Orthodox Church in America ("the Church"), including organizations under the Church's jurisdiction.

The Plan provides retirement and death benefits to participating members and their spouses which are based upon years of service, the participating member's compensation level and the amount of the participating member's deferrals.

## St. Tikhon's Orthodox Theological Seminary

### Notes to Financial Statements

June 30, 2014 and 2013

The plan administrator is the Pension Board comprised of not less than three (3) persons appointed by the Church. A valuation of the plan is required at least once every three years by an enrolled actuary as defined under the Employee Retirement Income Security Act of 1974 to determine the contributions needed to maintain the plan on a sound actuarial basis. The contributions needed to support the plan shall be changed from time to time based upon the results of these valuations.

Participating members are required at a minimum to contribute 6% of their qualifying salary (including amounts paid as housing allowances for clergy) to the Plan, with the employer contributing an additional 6% through January 1, 2014, at which time the employer contribution was increased to 8%. The vesting schedule of the Plan is as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
5	10%
6	20%
7	30%
8	40%
9	50%
10	60%
11	70%
12	80%
13	90%
14 or more	100%

The most recent valuation of the Plan (January 1, 2014) determined that the liabilities of the Plan exceeded the actuarial value of the Plan's assets. The unfunded liability must be funded through future contributions. No specific allocation of the unfunded liability is made to individual employees or employers.

### 7. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	<u>2014</u>	<u>2013</u>
Restricted for:		
Scholarships	\$ 415,932	\$ 313,111
General endowments	98,087	-
Total	<u>\$ 514,019</u>	<u>\$ 313,111</u>

Permanently restricted net assets at June 30 consist of the following:

Restricted for:		
Scholarships	\$ 1,069,946	\$ 1,274,129
General endowments	738,621	851,469
Total	<u>\$ 1,808,567</u>	<u>\$ 2,125,598</u>

## **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2014 and 2013

### **8. Endowment Funds**

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Seminary has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary 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 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 that is not classified in permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The Seminary considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the Seminary and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected return from income and the appreciation of investments, the investment policies of the Seminary, and other resources of the Seminary.

The Seminary has adopted 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 Seminary must hold in perpetuity as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the Seminary relies on a balanced investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seminary targets a diversified asset allocation to achieve its long-term return objectives guided by its policy.

The Seminary has a policy of appropriating for distribution accumulated investment income (interest and dividends) as approved by the Board of Trustees. This policy is consistent with the Seminary's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

During 2012, the Seminary borrowed \$409,720 from its endowment fund. Of this amount, \$37,544 was restored prior to June 30, 2013 and the balance of \$372,176 was restored in November 2013.

During 2014, the Seminary borrowed \$63,935 from its endowment fund. At June 30, 2014, this deficiency was owed to the endowment fund and was restored in December 2014.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2014 and 2013

Endowment net asset composition by type of fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 514,019	\$ 1,808,567	\$ 2,322,586
Board-designated endowment funds	<u>232,014</u>	<u>-</u>	<u>-</u>	<u>232,014</u>
Total endowment funds	<u>\$ 232,014</u>	<u>\$ 514,019</u>	<u>\$ 1,808,567</u>	<u>\$ 2,554,600</u>

Changes in endowment net assets in 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	<u>\$ 315,293</u>	<u>\$ 313,111</u>	<u>\$ 2,125,598</u>	<u>\$ 2,754,002</u>
Investment return:				
Investment income	18	39,571	-	39,589
Net realized and unrealized gains	<u>-</u>	<u>286,478</u>	<u>-</u>	<u>286,478</u>
Total investment return	<u>18</u>	<u>326,049</u>	<u>-</u>	<u>326,067</u>
Change in valuation of asset held for sale	<u>-</u>	<u>-</u>	<u>(115,678)</u>	<u>(115,678)</u>
Funds released from restriction	<u>201,353</u>	<u>-</u>	<u>(201,353)</u>	<u>-</u>
Appropriation of endowment assets for expenditure (spending policy)	<u>(284,650)</u>	<u>(125,141)</u>	<u>-</u>	<u>(409,791)</u>
Endowment net assets, June 30, 2014	<u>\$ 232,014</u>	<u>\$ 514,019</u>	<u>\$ 1,808,567</u>	<u>\$ 2,554,600</u>



## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2014 and 2013

Endowment net asset composition by type of fund as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	313,111	2,125,598	\$ 2,438,709
Board-designated endowment funds	315,293	-	-	315,293
Total endowment funds	<u>\$ 315,293</u>	<u>\$ 313,111</u>	<u>\$ 2,125,598</u>	<u>\$ 2,754,002</u>

Changes in endowment net assets in 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ 233,839	225,027	2,083,098	\$ 2,541,964
Investment return:				
Investment income	8,780	30,615	-	39,395
Net realized and unrealized gains	-	129,346	-	129,346
Total investment return	8,780	159,961	-	168,741
Contributions and transfers	72,674	-	-	72,674
Change in charitable remainder trust	-	-	42,500	42,500
Funds released from restriction	71,877	(71,877)	-	-
Appropriation of endowment assets for expenditure (spending policy)	(71,877)	-	-	(71,877)
Endowment net assets, June 30, 2013	<u>\$ 315,293</u>	<u>\$ 313,111</u>	<u>\$ 2,125,598</u>	<u>\$ 2,754,002</u>

## St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements

June 30, 2014 and 2013

### 9. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2014 and 2013 are as follows (in thousands):

	<u>2014</u>	<u>2013</u>
General services	\$ 951	\$ 938
General and administrative	346	413
Fundraising	<u>14</u>	<u>16</u>
Total	<u>\$ 1,311</u>	<u>\$ 1,367</u>

### 10. Concentrations

The Seminary primarily maintains its cash and investments with financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures accounts to \$250,000 at each institution. At times the Seminary may have cash on deposit in excess of insured amounts.

# St. Tikhon's Orthodox Theological Seminary

## Schedule of Instructional, Administrative, and Operations Expenses

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Instructional</b>		
Faculty wages	\$ 267,518	\$ 282,506
Adjunct Faculty	96,029	85,034
Employee benefits	51,359	41,139
Pension	41,490	29,332
Donated services	36,000	36,000
Faculty housing	30,950	15,648
Payroll taxes	26,438	29,311
Faculty travel	3,526	-
	<u>553,310</u>	<u>518,970</u>
Total instructional	<u>\$ 553,310</u>	<u>\$ 518,970</u>
<b>Administrative</b>		
Staff wages	\$ 76,418	\$ 148,758
Employee Benefits	50,234	56,050
Printing	41,408	42,727
Payroll taxes	40,847	36,372
Office supplies	40,196	36,032
Professional fees	29,712	36,170
Equipment lease	15,840	7,693
Travel	12,854	9,823
Interest	12,754	1,201
Automobile	8,951	16,146
Dues and subscriptions	5,863	1,647
Pension	5,544	6,077
Conferences	5,453	13,956
Bad Debt Expense	500	-
	<u>346,574</u>	<u>412,652</u>
Total administrative	<u>\$ 346,574</u>	<u>\$ 412,652</u>
<b>Operations</b>		
Utilities	\$ 88,403	\$ 84,723
Insurance	79,887	73,921
Depreciation	62,544	60,455
Repairs and maintenance	34,350	58,539
Interest	27,674	28,758
Taxes	7,619	7,359
Telephone	3,892	4,320
Supplies	1,670	3,237
	<u>306,039</u>	<u>321,312</u>
Total operations	<u>\$ 306,039</u>	<u>\$ 321,312</u>

**ST VLADIMIR'S ORTHODOX  
THEOLOGICAL SEMINARY  
FINANCIAL STATEMENTS**

1. Financial Statements and Auditors' Report Year Ended June 30, 2011
2. Financial Statements and Auditors' Report Year Ended June 30, 2012
3. Financial Statements and Auditors' Report Year Ended June 30, 2013
4. Financial Statements and Auditors' Report Year Ended June 30, 2014

**ST. VLADIMIR'S  
ORTHODOX THEOLOGICAL SEMINARY  
FINANCIAL STATEMENTS  
JUNE 30, 2011**

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

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**JUNE 30, 2011**

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# D'Arcangelo & Co...LLP

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
St. Vladimir's Orthodox Theological Seminary  
Crestwood, New York

We have audited the accompanying statement of financial position of St. Vladimir's Orthodox Theological Seminary ("The Seminary"), (a nonprofit organization) as of June 30, 2011, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of The Seminary's management. 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 Seminary's June 30, 2010 financial statements and, in our report dated September 15, 2010; we expressed an unqualified 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 St. Vladimir's Orthodox Theological Seminary as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*D'Arcangelo & Co., LLP*

Rye Brook, New York

October 14, 2011

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2011**

**With Summarized Comparative Financial Information as of June 30, 2010**

	2011	2010
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 50,964	\$ 72,509
Restricted cash	-	1,602,550
Accounts receivable, net of allowance for doubtful accounts of \$109,417 in 2011 and \$97,833 in 2010	266,933	296,951
Bequest receivable	371,330	371,330
Pledges receivable, net	342,368	398,553
Prepaid expenses	44,104	32,840
Inventory	893,239	919,829
Investments	12,169,550	10,230,478
Investment in property	122,122	122,122
Cash surrender value of life insurance	145,037	140,307
Property and equipment, net of accumulated depreciation of \$8,700,976 in 2011 and \$8,004,292 in 2010	<u>14,972,485</u>	<u>15,464,475</u>
Total assets	<u><u>\$ 29,378,132</u></u>	<u><u>\$ 29,651,944</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 336,967	\$ 292,385
Deferred revenue	30,387	49,773
Mortgages and loans payable	2,676,685	4,230,985
Annuity and life trust payable	<u>152,357</u>	<u>168,394</u>
Total liabilities	<u>3,196,396</u>	<u>4,741,537</u>
Net assets:		
Unrestricted		
Net investment in land, building and equipment	11,165,382	11,621,400
Board designated long-term investments	1,177,125	2,884,780
Undesignated	<u>2,653,965</u>	<u>(1,276,013)</u>
Total unrestricted	14,996,472	13,230,167
Temporarily restricted	1,461,995	2,111,377
Permanently restricted	<u>9,723,269</u>	<u>9,568,863</u>
Total net assets	<u>26,181,736</u>	<u>24,910,407</u>
Total liabilities and net assets	<u><u>\$ 29,378,132</u></u>	<u><u>\$ 29,651,944</u></u>



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2011**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2010**

	Unrestricted	Temporarily restricted	Permanently restricted	2011 Total	2010 Total
<b>Revenue and reclassifications</b>					
Tuition and fees	\$ 598,080	\$ -	\$ -	\$ 598,080	\$ 686,188
Less scholarship and financial aid	(238,594)	-	-	(238,594)	(236,059)
Net tuition and fees	359,486	-	-	359,486	450,129
Gifts and grants	1,088,034	20,598	154,406	1,263,038	1,229,715
Endowment income	1,134,045	1,453,620	-	2,587,665	1,220,085
Investment income	85,341	-	-	85,341	88,360
Subscriptions income	9,695	-	-	9,695	32,143
Summer institute income	43,105	-	-	43,105	49,557
Auxiliary enterprises	1,322,416	-	-	1,322,416	1,434,423
Other income	19,849	-	-	19,849	13,837
Total revenue before net assets released from restriction	4,061,971	1,474,218	154,406	5,690,595	4,518,249
Reclassifications:					
Satisfaction of program restrictions	2,123,600	(2,123,600)	-	-	-
Total revenue and reclassifications	6,185,571	(649,382)	154,406	5,690,595	4,518,249
<b>Expenses</b>					
Instruction	763,054	-	-	763,054	657,420
Public service	50,770	-	-	50,770	38,816
Library	126,062	-	-	126,062	120,443
Student services	79,623	-	-	79,623	85,587
Theological research publications	16,183	-	-	16,183	20,937
Operation and maintenance of plant	633,696	-	-	633,696	580,252
General institutional expense	1,207,981	-	-	1,207,981	1,222,534
Interest expense	103,944	-	-	103,944	120,226
Auxiliary enterprises	741,270	-	-	741,270	756,035
Total expenses	3,722,583	-	-	3,722,583	3,602,250
Change in net assets before depreciation	2,462,988	(649,382)	154,406	1,968,012	915,999
Depreciation	(696,683)	-	-	(696,683)	(700,953)
Change in net assets	1,766,305	(649,382)	154,406	1,271,329	215,046
Net assets, beginning of year	13,230,167	2,111,377	9,568,863	24,910,407	24,695,361
Net assets, end of year	\$ 14,996,472	\$ 1,461,995	\$ 9,723,269	\$ 26,181,736	\$ 24,910,407

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2011**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,271,329	\$ 215,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	696,683	700,953
Realized (gain) loss on investments	(797,373)	(631,136)
Unrealized (gain) loss on investments	(1,784,562)	(580,662)
Value of donated book publications	-	(134,671)
Bad debt reserve-bookstore receivable	(11,584)	(4,714)
Bad debt reserve-pledges receivable	(3,062)	55,064
Discount on pledges receivable	(2,979)	(1,757)
(Increase) decrease in operating assets:		
Accounts receivable	41,602	(119,132)
Pledges receivable	59,247	57,633
Prepaid expenses	(11,264)	(4,395)
Inventory	26,590	87,272
Cash surrender value of life insurance	(4,730)	(8,287)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	44,582	17,090
Deferred revenue	(19,386)	38,608
Annuity and life trust payable	(16,037)	(11,974)
Net cash used in operating activities	<u>(510,944)</u>	<u>(325,062)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(19,581,292)	(15,439,146)
Proceeds from sales of investments	20,227,138	15,771,079
Change in restricted cash	1,602,550	57,466
Purchase of property and equipment	(204,693)	(121,248)
Net cash provided by investing activities	<u>2,043,703</u>	<u>268,151</u>
<b>Cash flows from financing activities:</b>		
Proceeds from debt	651,528	255,000
Repayment of principal debt	(2,205,832)	(196,096)
Net cash provided by (used in) financing activities	<u>(1,554,304)</u>	<u>58,904</u>
Net increase (decrease) in cash	(21,545)	1,993
Cash, beginning of year	<u>72,509</u>	<u>70,516</u>
Cash, end of year	<u>\$ 50,964</u>	<u>\$ 72,509</u>
<b>Supplementary information:</b>		
Total interest paid	\$ 104,394	\$ 120,203

See notes to financial statements.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization, nature of activities and tax-exempt status**

St. Vladimir's Orthodox Theological Seminary, ("The Seminary") is a graduate professional school chartered and approved by the Board of Regents of the University of the State of New York and accredited nationally by the Association of Theological Schools. The Seminary's twofold mission is to adequately prepare educated clergy and leaders to service the Orthodox faithful in this country and abroad, and to promote study and research in Orthodox theology, history and culture.

The Seminary is a not-for-profit corporation organized under the not-for-profit laws of New York State, and chartered as an education corporation by the Education Department of the State of New York. The Seminary has been determined to be an organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions. The Seminary has also been classified as an entity that is not a private foundation within the meaning of IRC Section 509(a) thereby qualifying for the receipt of deductible contributions as provided in IRC Section 170.

#### **Basis of accounting**

The accounting and reporting policies of The Seminary conform to accounting principles generally accepted in the United States of America (GAAP).

#### **Basis of financial statement presentation and classification of net assets**

The financial statements of The Seminary have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. The net assets of the Seminary and changes therein are classified and reported as follows:

#### **Net assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted net assets** - Net assets that 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.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### Net assets (continued):

**Temporarily restricted net assets** - Net assets that 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 organization which fulfill the restrictions or because of the passage of time. Expiration 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.

**Permanently restricted net assets** - Net assets 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 Seminary to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

#### Accounts receivable

The Seminary has established an allowance for doubtful accounts to provide for potential losses in the various receivable accounts. The allowances for doubtful accounts is established through a provision for losses charged to expense. Receivables are charged against the allowance when management believes that collectibility is unlikely. The allowance is an amount that management believes will be adequate to absorb losses on existing receivables that may become uncollectible, based on evaluations that take into consideration such factors as changes in the nature and volume of receivables, review of specific problem receivables, and current economic conditions that may affect collection.

#### 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.

#### Cash equivalents

For purposes of the statement of cash flows, cash equivalents are defined as cash on deposit, cash on hand and certificates of deposits with original maturities less than three months (if any) at the time the Seminary purchased the financial instrument and which are not designated as held for investment.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### **Investments**

Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are recorded at market value. The market values of investments are generally determined based on quoted market prices or estimated fair values provided by external investment managers or other sources. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment management fees and service charges are netted against investment income.

Donated investments are reflected as contributions at their market values at date of receipt. The Seminary owns three small parcels of land in Rhinebeck, New York whose carrying amount approximates fair market value.

#### **Fair value measurements**

The Seminary adopted GAAP concept of *Fair Value Measurements*. In accordance with GAAP, fair value is defined as the price that the Seminary would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. GAAP establishes a three-tier hierarchy for measuring fair value of assets and liabilities. The three-tier hierarchy of inputs is summarized in three broad levels: Level 1 - quoted prices in active markets for identical securities, Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including the Seminary's own assumptions in determining the fair value of investments).

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### **Endowment investment and spending policies:**

The Seminary maintains various donor-restricted and board designated funds whose purpose is to provide long-term support for its programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, 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 Board has 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 of the Seminary, 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 Seminary utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub-classes. Endowment return objectives are to exceed composite benchmark results of approximately nine percent (9%) over the long-term with a moderate level of risk. In order to achieve this objective, the Seminary follows the strategy of weighing the asset allocation to higher yielding asset classes, including equities and alternative investments, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board's interpretation of State law.

#### **Inventory**

The Seminary's bookstore inventory is stated at the lower of cost or market, determined by the first-in, first-out method.

#### **Pledges and bequests receivable**

Pledges receivable are recognized as income in the year for which the pledge is made. Pledges and distributions of bequests that are expected to be received within one year are recorded at net realizable value. Pledges and distributions from bequests that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### Property and equipment

Additions to property and equipment in excess of \$5,000 are recorded at cost or, if donated, at the fair market value on the date of the gift.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building and improvements	30 - 40 years
Library books and media	5 - 10 years
Furniture and equipment	5 - 10 years
Vehicles	5 years

The Seminary reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the facility and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in fiscal 2011.

#### Charitable gift annuities and charitable remainder unitrust

The Seminary has entered into several Charitable Gift Annuity Agreements and Charitable Remainder Unitrusts whereby the donor contributes assets in exchange for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the Seminary's use. Assets received are recorded at fair value on the date the agreement or unitrust is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the Seminary revalues the liability based on applicable mortality tables and discount rates, which vary from 3.2% to 10.13%. One annuitant has stipulated a payout of 50% of the contributed asset account balance to an unrelated third party, after death, in the event there remain enough funds in the investment asset account to make such a payout. At June 30, 2011, there were no such excess funds.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Prior year summarized comparative information**

The financial statements include certain prior year summarized comparative information in total but not by asset class or functional expense. 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 Seminary's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

**Donated material and services**

Donated non-cash assets are recorded at their fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

**Expense allocation**

Directly identifiable expenses are charged to programs and supporting services. Development and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain 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 period. Actual results could differ from those estimates.

**2. CONCENTRATIONS:**

The Seminary's cash management policy is to mitigate its credit risks by investing in or through major financial institutions.



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**3. RESTRICTED CASH:**

The Seminary, in accordance with its loan agreement, maintained a designated bank account at Smith Barney to fund its annual required loan repayments. For the fiscal year ended June 30, 2011, the bank allowed the Seminary to use the collateral balance of \$1,660,016 to pay down the Smith Barney loan (Note 10).

**4. PLEDGES RECEIVABLE:**

Pledged commitments consist of one time pledges for annual operating support and pledges in connection with capital campaigns.

Pledges receivable are summarized as follow:

In less than one year	\$ 161,880
In one to five years	<u>208,740</u>
	370,620
Less: Allowance for uncollectable pledges	(14,252)
Less: Unamortized discount	<u>(14,000)</u>
Net Pledges receivable	<u>\$ 342,368</u>

A discount rate of 3% was used to determine the net present value of pledges receivable in more than one year.

**5. INVESTMENTS:**

The cost and market values of investments as of June 30, 2011 are as follows:

	<u>Cost</u>	<u>Market value</u>
Money market funds	\$ 1,762,405	\$ 1,762,405
Mutual funds	774,997	971,254
Equities	6,339,931	7,864,053
Bonds	1,449,781	1,464,447
Government securities	<u>106,795</u>	<u>107,391</u>
Total	<u>\$10,433,909</u>	<u>\$ 12,169,550</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**5. INVESTMENTS (continued):**

Endowment and investment income are allocated based on pooling of investments and consists of the following:

Interest and dividend income	\$ 189,722
Investment fees	(98,651)
Realized gain on investments	797,373
Net change in unrealized value of investments	<u>1,784,562</u>
	<u>\$ 2,673,006</u>

**6. ENDOWMENT FUNDS:**

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds, whether or not the organization is subject to UPMIFA).

The State of New York enacted UPMIFA on September 17, 2010, the provisions of which apply to endowment funds existing on or established after that date. The Board of Trustees has determined that the majority of the Seminary's permanently restricted net assets meet the definition of endowment funds under UPMIFA. The implementation of UPMIFA had no effect on the financial statements.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**6. ENDOWMENT FUNDS (continued):**

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment assets</u>
Donor restricted endowment funds	\$ 4,449	\$ 1,228,311	\$ 9,694,765	\$ 10,927,525
Board designated endowment funds	<u>1,172,676</u>	<u>-</u>	<u>-</u>	<u>1,172,676</u>
	<u>\$ 1,177,125</u>	<u>\$ 1,228,311</u>	<u>\$ 9,694,765</u>	<u>\$ 12,100,201</u>

The following is a reconciliation of the activity in the Endowment funds for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment funds</u>
Balance, July 1, 2010	\$ 2,889,229	\$ (245,907)	\$ 9,540,359	\$ 12,183,681
Contributions	-	20,598	154,406	175,004
Investment income, net	350,954	1,453,620	-	1,804,574
Amount appropriated for expenditure	(553,046)	-	-	(553,046)
Appropriated for loan repayment	<u>(1,510,012)</u>	<u>-</u>	<u>-</u>	<u>(1,510,012)</u>
Balance, June 30, 2011	<u>\$ 1,177,125</u>	<u>\$ 1,228,311</u>	<u>\$ 9,694,765</u>	<u>\$ 12,100,201</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**7. RISKS RELATED TO INVESTMENTS:**

The Seminary's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

**8. FAIR VALUE MEASUREMENTS:**

Fair values of assets and liabilities measured on a recurring basis as of June 30, 2011 are as follows:

<u>Description</u>	<u>6/30/11</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Quoted prices In active markets for identical assets/liabilities (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<b>Assets:</b>				
Investment securities	\$ 12,169,550	\$ 12,169,550	\$ -	\$ -
Cash surrender value of life insurance	145,037	-	145,037	-
Investment in property	122,122	-	-	122,122
<b>Total</b>	<b>\$ 12,436,709</b>	<b>\$ 12,169,550</b>	<b>\$ 145,037</b>	<b>\$ 122,122</b>
<b>Liability:</b>				
Annuity and life trust payable	\$ 152,357		\$ 152,357	

Total assets at fair value classified within level 3 inputs were \$122,122 which consists of three parcels of raw land in Rhinebeck, New York, whose fair value approximates its original donated value. There were no changes in valuation of the level 3 inputs.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**9. PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of June 30, 2011 is as follows:

	Cost	Accumulated depreciation	Net
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	199,756	449,846
Building and improvements	19,598,187	6,177,394	13,420,793
Library books and media	1,223,197	964,377	258,820
Furniture and equipment	1,361,767	1,275,835	85,932
Vehicles	99,964	83,614	16,350
	<u>\$ 23,673,461</u>	<u>\$ 8,700,976</u>	<u>\$ 14,972,485</u>

Depreciation expense for the year ended June 30, 2011 totaled \$696,683.

**10. MORTGAGES AND LOANS PAYABLE:**

Loan payable to Smith Barney secured by all cash and investment accounts held with Smith Barney. The loan was used to refinance a prior mortgage on the Lakeside Student Housing property. The loan is payable in five annual principal repayment tiers, together with interest paid on a monthly basis. The interest rate on the five tiers is fixed at rates that start at 4.66% in the first year and end at 5.74% for year 5. This mortgage loan matures in June 2013.

\$ 2,445,455

Mortgage loan payable with variable interest at prime (3.25% at June 30, 2011) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017.

107,499

Mortgage loan payable with variable interest at prime (3.25% at June 30, 2011) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017.

117,054

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**10. MORTGAGES AND LOANS PAYABLE (continued):**

Note payable secured by the purchase of a truck with interest at 4%. Monthly payments of \$967 (interest and principal) are due through January 2012.

6,677

\$ 2,676,685

Principal payments on mortgage and loans for the succeeding five years and thereafter are as follows for the year ending June 30:

2012	\$ 442,729
2013	2,082,697
2014	38,470
2015	39,739
2016	41,050
After 2016	<u>32,000</u>
	<u>\$ 2,676,685</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**11. FUNCTIONAL CLASSIFICATION OF EXPENSES:**

Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Allocations of total unrestricted expenses (with the inclusion of depreciation) for the year are as follows:

Program services:	
Instruction	\$1,117,879
Public service	107,861
Library	465,303
Student services	144,938
Theological research publications	22,249
Auxiliary enterprises	<u>1,155,361</u>
 Total program services	 <u>3,013,591</u>
 Supporting services:	
General institutional	1,003,736
Development and communications	<u>401,939</u>
 Total supporting services	 <u>1,405,675</u>
 Total expenses	 <u>\$4,419,266</u>

**12. RETIREMENT PLAN:**

The Seminary 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 Seminary contributes 6% of each employee's salary, and the employee contributes 6%. The retirement benefit costs charged to expense amounted to \$71,604 in 2011.

**13. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 14, 2011, which is the date the financial statements are available for issuance.

**ST. VLADIMIR'S  
ORTHODOX THEOLOGICAL SEMINARY  
FINANCIAL STATEMENTS  
JUNE 30, 2012**



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

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**JUNE 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
St. Vladimir's Orthodox Theological Seminary  
Crestwood, New York

We have audited the accompanying statement of financial position of St. Vladimir's Orthodox Theological Seminary ("The Seminary"), (a nonprofit organization) as of June 30, 2012, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of The Seminary's management. 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 Seminary's June 30, 2011 financial statements and, in our report dated October 14, 2011; we expressed an unqualified 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 St. Vladimir's Orthodox Theological Seminary as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*D'Arcangelo & Co., LLP*

Rye Brook, New York  
October 12, 2012

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2012**

**With Summarized Comparative Financial Information as of June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	\$ 404,287	\$ 50,964
Accounts receivable, net of allowance for doubtful accounts of \$111,146 in 2012 and \$109,417 in 2011	272,275	266,933
Bequest receivable	-	371,330
Pledges receivable, net	240,310	342,368
Prepaid expenses	51,049	44,104
Inventory	859,662	893,239
Investments	11,228,048	12,169,550
Investment in property	-	122,122
Cash surrender value of life insurance	156,864	145,037
Property and equipment, net of accumulated depreciation of \$9,371,016 in 2012 and \$8,700,976 in 2011	<u>14,410,010</u>	<u>14,972,485</u>
Total assets	<u><u>\$ 27,622,505</u></u>	<u><u>\$ 29,378,132</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 360,568	\$ 336,967
Deferred revenue	30,630	30,387
Mortgages and loans payable	3,148,238	2,676,685
Annuity and life trust payable	<u>162,395</u>	<u>152,357</u>
Total liabilities	<u>3,701,831</u>	<u>3,196,396</u>
Net assets:		
Unrestricted		
Net investment in land, building and equipment	11,765,143	11,165,382
Board designated long-term investments	618,346	1,177,125
Undesignated	<u>965,718</u>	<u>2,653,965</u>
Total unrestricted	13,349,207	14,996,472
Temporarily restricted	835,558	1,461,995
Permanently restricted	<u>9,735,909</u>	<u>9,723,269</u>
Total net assets	<u>23,920,674</u>	<u>26,181,736</u>
Total liabilities and net assets	<u><u>\$ 27,622,505</u></u>	<u><u>\$ 29,378,132</u></u>

See notes to financial statements.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2012**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2011**

	Unrestricted	Temporarily restricted	Permanently restricted	2012 Total	2011 Total
<b>Revenue and reclassifications</b>					
Tuition and fees	\$ 459,867	\$ -	\$ -	\$ 459,867	\$ 598,080
Less scholarship and financial aid	(180,245)	-	-	(180,245)	(238,594)
Net tuition and fees	279,622	-	-	279,622	359,486
Gifts and grants	945,822	184,790	12,640	1,143,252	1,263,038
Investment/Endowment income (loss)	84,758	(577,543)	-	(492,785)	2,673,006
Subscriptions income	8,429	-	-	8,429	9,695
Summer institute income	68,259	-	-	68,259	43,105
Auxiliary enterprises	1,331,342	-	-	1,331,342	1,322,416
Other income	15,991	-	-	15,991	19,849
Total revenue before net assets released from restriction	<u>2,734,223</u>	<u>(392,753)</u>	<u>12,640</u>	<u>2,354,110</u>	<u>5,690,595</u>
Reclassifications:					
Satisfaction of program restrictions	233,684	(233,684)	-	-	-
Total revenue and reclassifications	<u>2,967,907</u>	<u>(626,437)</u>	<u>12,640</u>	<u>2,354,110</u>	<u>5,690,595</u>
<b>Expenses</b>					
Instruction	838,783	-	-	838,783	763,054
Public service	45,774	-	-	45,774	53,773
Library	136,976	-	-	136,976	126,062
Student services	67,045	-	-	67,045	79,623
Theological research publications	47,540	-	-	47,540	16,183
Operation and maintenance of plant	667,384	-	-	667,384	633,696
General institutional expense	1,166,325	-	-	1,166,325	1,207,981
Interest expense	111,644	-	-	111,644	103,944
Auxiliary enterprises	863,661	-	-	863,661	738,267
Total expenses	<u>3,945,132</u>	<u>-</u>	<u>-</u>	<u>3,945,132</u>	<u>3,722,583</u>
Change in net assets before depreciation	<u>(977,225)</u>	<u>(626,437)</u>	<u>12,640</u>	<u>(1,591,022)</u>	<u>1,968,012</u>
Depreciation	<u>(670,040)</u>	<u>-</u>	<u>-</u>	<u>(670,040)</u>	<u>(696,683)</u>
Change in net assets	<u>(1,647,265)</u>	<u>(626,437)</u>	<u>12,640</u>	<u>(2,261,062)</u>	<u>1,271,329</u>
Net assets, beginning of year	<u>14,996,472</u>	<u>1,461,995</u>	<u>9,723,269</u>	<u>26,181,736</u>	<u>24,910,407</u>
Net assets, end of year	<u>\$ 13,349,207</u>	<u>\$ 835,558</u>	<u>\$ 9,735,909</u>	<u>\$ 23,920,674</u>	<u>\$ 26,181,736</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2012**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2011**

	2012	2011
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (2,261,062)	\$ 1,271,329
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	670,040	696,683
Realized (gain) loss on investments	233,541	(797,373)
Unrealized (gain) loss on investments	461,124	(1,784,562)
Bad debt reserve-bookstore receivable	1,729	(11,584)
Bad debt reserve-pledges receivable	16,130	(3,062)
Discount on pledges receivable	(1,600)	(2,979)
(Increase) decrease in operating assets:		
Accounts receivable	(7,071)	41,602
Bequest receivable	371,330	-
Pledges receivable	87,528	59,247
Prepaid expenses	(6,945)	(11,264)
Inventory	33,577	26,590
Cash surrender value of life insurance	(11,827)	(4,730)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	23,601	44,582
Deferred revenue	243	(19,386)
Annuity and life trust payable	10,038	(16,037)
Net cash used in operating activities	(379,624)	(510,944)
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	6,712,516	20,227,138
Purchase of investments	(6,343,557)	(19,581,292)
Change in restricted cash	-	1,602,550
Purchase of property and equipment	(107,565)	(204,693)
Net cash provided by investing activities	261,394	2,043,703
<b>Cash flows from financing activities:</b>		
Proceeds from debt	3,006,819	651,528
Repayment of principal debt	(2,535,266)	(2,205,832)
Net cash provided by (used in) financing activities	471,553	(1,554,304)
Net increase (decrease) in cash	353,323	(21,545)
Cash, beginning of year	50,964	72,509
Cash, end of year	\$ 404,287	\$ 50,964
<b>Supplementary information:</b>		
Total interest paid	\$ 110,116	\$ 104,394

See notes to financial statements.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization, nature of activities and tax-exempt status**

St. Vladimir's Orthodox Theological Seminary, ("The Seminary") is a graduate professional school chartered and approved by the Board of Regents of the University of the State of New York and accredited nationally by the Association of Theological Schools. The Seminary's two-fold mission is to adequately prepare educated clergy and leaders to service the Orthodox faithful in this country and abroad, and to promote study and research in Orthodox theology, history and culture.

The Seminary is a not-for-profit corporation organized under the not-for-profit laws of New York State, and chartered as an education corporation by the Education Department of the State of New York. The Seminary has been determined to be an organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions. The Seminary has also been classified as an entity that is not a private foundation within the meaning of IRC Section 509(a) thereby qualifying for the receipt of deductible contributions as provided in IRC Section 170. The Seminary is not required to file an IRS annual form 990.

#### **Basis of accounting**

The accounting and reporting policies of The Seminary conform to accounting principles generally accepted in the United States of America ("GAAP").

#### **Basis of financial statement presentation and classification of net assets**

The financial statements of The Seminary have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. The net assets of the Seminary and changes therein are classified and reported as follows:

#### **Net assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted net assets** - Net assets that 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.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### Net assets (continued):

**Temporarily restricted net assets** - Net assets that 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 organization which fulfill the restrictions or because of the passage of time. Expiration 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.

**Permanently restricted net assets** - Net assets 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 Seminary to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

#### Accounts receivable

The Seminary has established an allowance for doubtful accounts to provide for potential losses in the various receivable accounts. The allowances for doubtful accounts is established through a provision for losses charged to expense. Receivables are charged against the allowance when management believes that collectibility is unlikely. The allowance is an amount that management believes will be adequate to absorb losses on existing receivables that may become uncollectible, based on evaluations that take into consideration such factors as changes in the nature and volume of receivables, review of specific problem receivables, and current economic conditions that may affect collection.

#### 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.

#### Cash equivalents

For purposes of the statement of cash flows, cash equivalents are defined as cash on deposit, cash on hand and certificates of deposits with original maturities less than three months (if any) at the time the Seminary purchased the financial instrument and which are not designated as held for investment.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Investments**

Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are recorded at market value. The market values of investments are generally determined based on quoted market prices or estimated fair values provided by external investment managers or other sources. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment management fees and service charges are netted against investment income.

Donated investments are reflected as contributions at their market values at date of receipt.

**Fair value measurements**

GAAP establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques and creates the following three broad levels, with Level 1 valuation being the highest priority:

**Level 1 valuation**

Level 1 valuation inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date (e.g., equity securities traded on the New York Stock Exchange).

**Level 2 valuation**

Level 2 valuation inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

**Level 3 valuation**

Level 3 valuation inputs are unobservable (e.g., an entity's own data) and should be used to measure fair value to the extent that observable inputs are not available.



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Fair value measurements (continued)**

FASB ASC 820 *Fair Value Measurements* provides entities with an option to report selected financial assets and financial liabilities at fair value. It also establishes presentation and disclosure requirements that are designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The fair value option established by FASB ASC 820 permits all entities to choose to measure eligible account balances at fair value at specified election dates. Marketable investments including the assets of the gift annuity fund are valued at fair value; all other assets and liabilities have been valued at traditional accounting valuations.

The disclosures relating to the Seminary's investments are included in Note 5 to the financial statements.

**Endowment investment and spending policies:**

The Seminary maintains various donor-restricted and board designated funds whose purpose is to provide long-term support for its programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, 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 Board has 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 of the Seminary, 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 Seminary utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub-classes. Endowment return objectives are to exceed composite benchmark results of approximately nine percent (9%) over the long-term with a moderate level of risk. In order to achieve this objective, the Seminary follows the strategy of weighing the asset allocation to higher yielding asset classes, including equities and alternative investments, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board's interpretation of State law.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Inventory**

The Seminary's bookstore inventory is stated at the lower of cost or market, determined by the first-in, first-out method.

**Pledges and bequests receivable**

Pledges and bequests receivable are recognized as income in the year made. Pledges and distributions of bequests that are expected to be received within one year are recorded at net realizable value. Pledges and distributions from bequests that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

**Property and equipment**

Additions to property and equipment in excess of \$5,000 are recorded at cost or, if donated, at the fair market value on the date of the gift.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building and improvements	30 - 40 years
Library books and media	5 - 10 years
Furniture and equipment	5 - 10 years
Vehicles	5 years

The Seminary reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the facility and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in fiscal 2012.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Charitable gift annuities and charitable remainder unitrust**

The Seminary has entered into several Charitable Gift Annuity Agreements and Charitable Remainder Unitrusts whereby the donor contributes assets in exchange for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the Seminary's use. Assets received are recorded at fair value on the date the agreement or unitrust is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the Seminary revalues the liability based on applicable mortality tables and discount rates, which vary from 3.2% to 11.4%. One annuitant has stipulated a payout of 50% of the contributed asset account balance to an unrelated third party, after death, in the event there remain enough funds in the investment asset account to make such a payout. At June 30, 2012, there were no such excess funds.

**Prior year summarized comparative information**

The financial statements include certain prior year summarized comparative information in total but not by asset class or functional expense. 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 Seminary's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

**Donated material and services**

Donated non-cash assets are recorded at their fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

**Expense allocation**

Directly identifiable expenses are charged to programs and supporting services. Development and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain 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 period. Actual results could differ from those estimates.

**2. CONCENTRATIONS:**

The Seminary's cash management policy is to mitigate its credit risks by investing in or through major financial institutions.

**3. PLEDGES RECEIVABLE:**

Pledged commitments consist of one time pledges for annual operating support and pledges in connection with capital campaigns.

Pledges receivable are summarized as follow:

In less than one year	\$ 102,839
In one to five years	<u>166,001</u>
	268,840
Less: Allowance for uncollectable pledges	(16,130)
Less: Unamortized discount	<u>(12,400)</u>
Net Pledges receivable	<u>\$ 240,310</u>

A discount rate of 3% was used to determine the net present value of pledges receivable in more than one year.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**4. INVESTMENTS:**

The cost and market values of investments as of June 30, 2012 are as follows:

	<u>Cost</u>	<u>Market value</u>
Money market funds	\$ 1,460,548	\$ 1,460,548
Mutual funds	1,362,846	1,282,126
Equities	7,995,463	7,608,870
Bonds	762,924	765,937
Government securities	107,391	110,567
Total	<u>\$ 11,689,172</u>	<u>\$ 11,228,048</u>

Endowment and investment income are allocated based on pooling of investments and consists of the following:

Interest and dividend income	\$ 288,526
Investment fees	(86,646)
Realized loss on investments	(233,541)
Net change in unrealized value of investments	<u>(461,124)</u>
	<u>\$ (492,785)</u>

**5. ENDOWMENT FUNDS:**

The Seminary's investment and spending policies are based on the requirements of the New York State Uniform Management of Institutional Funds Act (UMIFA). As a result of the Seminary's interpretation of UMIFA, and in accordance with donor restrictions, contributions to the endowment fund were classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate, Income from the fund is classified with temporarily restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the temporarily restricted net assets are reclassified to unrestricted net assets.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**5. ENDOWMENT FUNDS (continued):**

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment assets</u>
Donor restricted endowment funds	\$ 4,449	\$ 835,558	\$ 9,707,405	\$ 10,547,412
Board designated endowment funds	<u>613,897</u>	<u>-</u>	<u>-</u>	<u>613,897</u>
	<u>\$ 618,346</u>	<u>\$ 835,558</u>	<u>\$ 9,707,405</u>	<u>\$ 11,161,309</u>

The following is a reconciliation of the activity in the Endowment funds for the fiscal year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment funds</u>
Balance, July 1, 2011	\$ 1,177,125	\$ 1,228,311	\$ 9,694,765	\$ 12,100,201
Contributions	-	184,790	12,640	197,430
Investment income, net	84,758	(577,543)	-	(492,785)
Amount appropriated for expenditure	<u>(643,537)</u>	<u>-</u>	<u>-</u>	<u>(643,537)</u>
Balance, June 30, 2012	<u>\$ 618,346</u>	<u>\$ 835,558</u>	<u>\$ 9,707,405</u>	<u>\$ 11,161,309</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**6. RISKS RELATED TO INVESTMENTS:**

The Seminary's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

**7. FAIR VALUE MEASUREMENTS:**

Fair values of assets and liabilities measured on a recurring basis as of June 30, 2012 are as follows:

<u>Description</u>	<u>6/30/12</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Quoted prices In active markets for identical assets/liabilities (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<b>Assets:</b>				
Investment securities	\$ 11,228,048	\$ 11,228,048	\$ -	\$ -
Cash surrender value of life insurance	156,864	-	156,864	-
<b>Total</b>	<b>\$ 11,384,912</b>	<b>\$ 11,228,048</b>	<b>\$ 156,864</b>	<b>\$ -</b>
<b>Liability:</b>				
Annuity and life trust payable	\$ 162,395		\$ 162,395	

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**8. PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of June 30, 2012 is as follows:

	Cost	Accumulated depreciation	Net
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	215,996	433,606
Building and improvements	19,610,242	6,683,661	12,926,581
Library books and media	1,279,397	1,015,353	264,044
Furniture and equipment	1,372,083	1,362,952	9,131
Vehicles	128,958	93,054	35,904
	<u>\$ 23,781,026</u>	<u>\$ 9,371,016</u>	<u>\$ 14,410,010</u>

Depreciation expense for the year ended June 30, 2012 totaled \$670,040.

**9. MORTGAGES AND LOANS PAYABLE:**

A Five year term loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan bears a fixed interest rate of 3.29%. Monthly payments of \$6,250 (interest and principal) are due through November 2016.

\$ 706,250

A variable rate loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan requires interest payments only through November 2013 at Libor + 1.5% (1.74% at June 30, 2012). The loan can be extended for an additional three years at the bank's option.

1,750,000

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2012) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017.

90,295

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2012) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017.

98,321



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**9. MORTGAGES AND LOANS PAYABLE (continued):**

A note payable to TD Bank secured by the purchase of an SUV automobile with interest at 3.5%. Monthly payments of \$762 (interest and principal) are due through January 2015.

\$ 22,553

An open line of credit with a maximum borrowing of \$500,000 with TD Bank. Interest is at prime (3.25% at June 30, 2012) collateralized by certain investment accounts at TD Bank.

480,819

\$ 3,148,238

Principal payments on mortgages and loans for the succeeding five years are as follows for the year ending June 30:

2013	\$ 601,530
2014	1,872,251
2015	120,029
2016	116,046
2017	<u>438,382</u>
	<u>\$ 3,148,238</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**10. FUNCTIONAL CLASSIFICATION OF EXPENSES:**

Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Allocations of total unrestricted expenses (with the inclusion of depreciation) for the year are as follows:

Program services:	
Instruction	\$1,198,266
Public service	105,615
Library	475,261
Student services	133,733
Theological research publications	51,596
Auxiliary enterprises	<u>1,244,221</u>
Total program services	<u>3,208,692</u>
Supporting services:	
General institutional	1,042,518
Development and communications	<u>363,963</u>
Total supporting services	<u>1,406,481</u>
Total expenses	<u>\$4,615,173</u>

**11. RETIREMENT PLAN:**

The Seminary 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 Seminary contributes 6% of each employee's salary, and the employee contributes 6%. The retirement benefit costs charged to expense amounted to \$86,955 in 2012.

Information as to the portion of accumulated pension plan benefits and plan assets is not reported separately by the Church's sponsored pension plan. A contingent liability may exist because an employer under the Employee Retirement Income Security Act, upon withdrawal from a multi-employer defined benefit plan, is required to continue to pay its proportionate share of the plan's unfunded vested benefits, if any. The liability under this provision has not been determined; however, the Seminary has no intention of withdrawing from the plan.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**12. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 12, 2012, which is the date the financial statements are available for issuance.

**ST. VLADIMIR'S  
ORTHODOX THEOLOGICAL SEMINARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
St. Vladimir's Orthodox Theological Seminary  
Crestwood, New York

We have audited the accompanying financial statements of St. Vladimir's Orthodox Theological Seminary ("The Seminary") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, the related statements of activities 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.

### Auditor's 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 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 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vladimir's Orthodox Theological Seminary as of June 30, 2013, 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.

**Report on Summarized Comparative Information**

We have previously audited the Seminary's 2012 financial statements, and our report dated October 12, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*D'Arcangelo & Co, LLP*

Rye Brook, New York  
October 15, 2013

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2013**

**With Summarized Comparative Financial Information as of June 30, 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 35,550	\$ 404,287
Accounts receivable, net of allowance for doubtful accounts of \$114,544 in 2013 and \$111,146 in 2012	256,913	272,275
Pledges receivable, net	258,203	240,310
Prepaid expenses	49,077	51,049
Inventory	831,456	859,662
Investments	11,962,616	11,228,048
Cash surrender value of life insurance	157,302	156,864
Property and equipment, net of accumulated depreciation of \$9,991,219 in 2013 and \$9,371,016 in 2012	<u>13,910,944</u>	<u>14,410,010</u>
Total assets	<u>\$ 27,462,061</u>	<u>\$ 27,622,505</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 362,908	\$ 360,568
Deferred revenue	28,363	30,630
Mortgages and loans payable	3,046,603	3,148,238
Annuity and life trust payable	<u>154,604</u>	<u>162,395</u>
Total liabilities	<u>3,592,478</u>	<u>3,701,831</u>
Net assets:		
Unrestricted		
Net investment in land, building and equipment	11,378,231	11,765,143
Board designated long-term investments	1,063,909	618,346
Undesignated	<u>552,829</u>	<u>965,718</u>
Total unrestricted	12,994,969	13,349,207
Temporarily restricted	1,095,608	835,558
Permanently restricted	<u>9,779,006</u>	<u>9,735,909</u>
Total net assets	<u>23,869,583</u>	<u>23,920,674</u>
Total liabilities and net assets	<u>\$ 27,462,061</u>	<u>\$ 27,622,505</u>

See notes to financial statements.



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2013**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Revenue and reclassifications</b>					
Tuition and fees	\$ 472,972	\$ -	\$ -	\$ 472,972	\$ 459,867
Less scholarships and financial aid	<u>(254,241)</u>	<u>-</u>	<u>-</u>	<u>(254,241)</u>	<u>(180,245)</u>
Net tuition and fees	218,731	-	-	218,731	279,622
Gifts and grants	960,091	179,322	11,520	1,150,933	1,143,252
Investment/Endowment income (loss)	794,641	946,487	31,577	1,772,705	(492,785)
Subscriptions income	18,411	-	-	18,411	8,429
Summer institute income	29,876	-	-	29,876	68,259
Auxiliary enterprises	1,446,034	-	-	1,446,034	1,331,342
Other income	<u>7,948</u>	<u>-</u>	<u>-</u>	<u>7,948</u>	<u>15,991</u>
Total revenue before net assets released from restriction	3,475,732	1,125,809	43,097	4,644,638	2,354,110
Reclassifications:					
Satisfaction of program restrictions	<u>865,759</u>	<u>(865,759)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and reclassifications	<u>4,341,491</u>	<u>260,050</u>	<u>43,097</u>	<u>4,644,638</u>	<u>2,354,110</u>
<b>Expenses</b>					
Instruction	830,846	-	-	830,846	838,783
Public service	51,448	-	-	51,448	45,774
Library	187,311	-	-	187,311	136,976
Student services	131,339	-	-	131,339	67,045
Theological research publications	17,785	-	-	17,785	47,540
Operation and maintenance of plant	648,724	-	-	648,724	667,384
General institutional expense	1,322,446	-	-	1,322,446	1,166,325
Interest expense	74,004	-	-	74,004	111,644
Auxiliary enterprises	<u>811,622</u>	<u>-</u>	<u>-</u>	<u>811,622</u>	<u>863,661</u>
Total expenses	<u>4,075,525</u>	<u>-</u>	<u>-</u>	<u>4,075,525</u>	<u>3,945,132</u>
Change in net assets before depreciation	265,966	260,050	43,097	569,113	(1,591,022)
Depreciation	<u>(620,204)</u>	<u>-</u>	<u>-</u>	<u>(620,204)</u>	<u>(670,040)</u>
Change in net assets	(354,238)	260,050	43,097	(51,091)	(2,261,062)
Net assets, beginning of year	<u>13,349,207</u>	<u>835,558</u>	<u>9,735,909</u>	<u>23,920,674</u>	<u>26,181,736</u>
Net assets, end of year	<u>\$12,994,969</u>	<u>\$ 1,095,608</u>	<u>\$9,779,006</u>	<u>\$23,869,583</u>	<u>\$ 23,920,674</u>

See notes to financial statements.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2013**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2012**

	2013	2012
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (51,091)	\$ (2,261,062)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	620,204	670,040
Realized (gain) loss on investments	(300,637)	233,541
Unrealized (gain) loss on investments	(1,253,238)	461,124
Bad debt reserve, bookstore receivable	3,398	1,729
Bad debt reserve, pledges receivable	13,870	16,130
Discount on pledges receivable	2,600	(1,600)
(Increase) decrease in operating assets:		
Accounts receivable	11,964	(7,071)
Bequest receivable	-	371,330
Pledges receivable	(34,363)	87,528
Prepaid expenses	1,972	(6,945)
Inventory	28,206	33,577
Cash surrender value of life insurance	(438)	(11,827)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,340	23,601
Deferred revenue	(2,267)	243
Annuity and life trust payable	(7,791)	10,038
Net cash (used in) operating activities	(965,271)	(379,624)
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	12,368,136	6,712,516
Purchase of investments	(11,548,829)	(6,343,557)
Purchase of property and equipment	(121,138)	(107,565)
Net cash provided by investing activities	698,169	261,394
<b>Cash flows from financing activities:</b>		
Proceeds from debt	19,000	3,006,819
Repayment of principal debt	(120,635)	(2,535,266)
Net cash provided by (used in) financing activities	(101,635)	471,553
Net increase (decrease) in cash	(368,737)	353,323
Cash, beginning of year	404,287	50,964
Cash, end of year	\$ 35,550	\$ 404,287
<b>Supplementary information:</b>		
Total interest paid	\$ 74,198	\$ 110,116

See notes to financial statements.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Organization, nature of activities and tax-exempt status**

St. Vladimir's Orthodox Theological Seminary, ("The Seminary") is a graduate professional school chartered and approved by the Board of Regents of the University of the State of New York and accredited nationally by the Association of Theological Schools. The Seminary's two-fold mission is to adequately prepare educated clergy and leaders to service the Orthodox faithful in this country and abroad, and to promote study and research in Orthodox theology, history and culture.

The Seminary is a not-for-profit corporation organized under the not-for-profit laws of New York State, and chartered as an education corporation by the Education Department of the State of New York. The Seminary has been determined to be an organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions. The Seminary has also been classified as an entity that is not a private foundation within the meaning of IRC Section 509(a) thereby qualifying for the receipt of deductible contributions as provided in IRC Section 170. The Seminary is not required to file an IRS annual form 990 and related State forms.

#### **Basis of accounting**

The accounting and reporting policies of The Seminary conform to accounting principles generally accepted in the United States of America ("GAAP").

#### **Basis of financial statement presentation and classification of net assets**

The financial statements of The Seminary have been prepared on the accrual basis of accounting, in accordance with GAAP for not-for-profit organizations. The net assets of the Seminary and changes therein are classified and reported as follows:

#### **Net assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted net assets** - Net assets that 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Net assets (continued):

**Temporarily restricted net assets** - Net assets that 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 organization which fulfill the restrictions or because of the passage of time. Expiration 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.

**Permanently restricted net assets** - Net assets 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 Seminary to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

Accounts receivable

The Seminary has established an allowance for doubtful accounts to provide for potential losses in the various receivable accounts. The allowances for doubtful accounts is established through a provision for losses charged to expense. Receivables are charged against the allowance when management believes that collectibility is unlikely. The allowance is an amount that management believes will be adequate to absorb losses on existing receivables that may become uncollectible, based on evaluations that take into consideration such factors as changes in the nature and volume of receivables, review of specific problem receivables, and current economic conditions that may affect collection.

Activity in the allowance for doubtful accounts is as follows:

	Tuition receivable	Press/Bookstore receivable	Total
Balance, July 1	\$ 72,874	\$ 38,272	\$ 111,146
Direct charge-offs	-	-	-
Provision for bad debts	4,005	(607)	3,398
	<u>\$ 76,879</u>	<u>\$ 37,665</u>	<u>\$ 114,544</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Revenue and expense recognition**

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**Deferred revenue**

Deferred revenue results from the Seminary recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school term are deferred until the instruction commences.

**Prepaid expenses**

Prepaid expenses represent payments made by The Seminary for which benefits extend beyond year end.

**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.

**Cash equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as cash on deposit, cash on hand and certificates of deposits with original maturities less than three months (if any) at the time The Seminary purchased the financial instrument and which are not designated as held for investment. The Seminary does not currently have any cash equivalents.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Investment valuation and income recognition**

Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Seminary's management determines the valuation policies utilizing information provided by the investment advisers and custodians. See note 6 for a discussion on fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the gains and losses on investments bought and sold as well as held during the year.

Donated investments are reflected as contributions at their fair values at date of receipt.

**Endowment investment and spending policies**

The Seminary maintains various donor-restricted and board designated funds whose purpose is to provide long-term support for its programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, 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 Board has 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 of The Seminary, 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.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Endowment investment and spending policies (continued)**

The Seminary utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub-classes. Endowment return objectives are to exceed composite benchmark results of approximately nine percent (9%) over the long-term with a moderate level of risk. In order to achieve this objective, The Seminary follows the strategy of weighing the asset allocation to higher yielding asset classes, including equities and alternative investments, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board's interpretation of State law.

**Inventory**

The Seminary's bookstore inventory is stated at the lower of cost or market, determined by the first-in, first-out method.

**Pledges receivable**

Pledges receivable are recognized as income in the year made. Pledges and distributions of bequests that are expected to be received within one year are recorded at net realizable value. Pledges and distributions from bequests that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Property and equipment**

Additions to property and equipment in excess of \$5,000 are recorded at cost or, if donated, at the fair value on the date of the gift.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building and improvements	30 - 40 years
Library books and media	5 - 10 years
Furniture and equipment	5 - 10 years
Vehicles	5 years

The Seminary reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the facility and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in fiscal 2013.

**Scholarships and financial aid**

Gross tuition and fees reflect The Seminary's normal tuition rates for all students. Scholarships and financial aid are netted against gross tuition and fees.



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Charitable gift annuities and charitable remainder unitrust**

The Seminary has entered into several Charitable Gift Annuity Agreements and Charitable Remainder Unitrusts whereby the donor contributes assets in exchange for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for The Seminary's use. Assets received are recorded at fair value on the date the agreement or unitrust is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, The Seminary revalues the liability based on applicable mortality tables and discount rates, which vary from 1.0% to 2.0%. One annuitant has stipulated a payout of 50% of the contributed asset account balance to an unrelated third party, after death, in the event there remain enough funds in the investment asset account to make such a payout. At June 30, 2013, there were no such excess funds.

**Prior year summarized comparative information**

The financial statements include certain prior year summarized comparative information in total but not by asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with The Seminary's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**Donated material and services**

Donated non-cash assets are recorded at their fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

**Expense allocation**

Directly identifiable expenses are charged to programs and supporting services. Development and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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 period. Actual results could differ from those estimates.

**2. CONCENTRATIONS:**

Financial instruments that potentially subject The Seminary to concentrations of credit risk consist principally of temporary cash investments, pledges receivable, and investment securities. The Seminary places its temporary cash investments with major financial institutions. From time to time throughout the year, cash balances can exceed the Federal Deposit Insurance Corporation (FDIC) coverage. Management believes that it is not exposed to any significant risk with respect to these accounts.

Management believes the concentrations of credit risk with respect to pledges receivable is minimal due to the large number of contributors comprising The Seminary's contributor base and their dispersion across different industries and geographic areas.

The Seminary invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the statement of financial position.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**3. PLEDGES RECEIVABLE:**

Pledged commitments consist of one time pledges for annual operating support and pledges in connection with capital campaigns.

Pledges receivable are summarized as follow:

Due in less than one year	\$ 102,001
Due in one to five years	<u>201,202</u>
	303,203
Less: Allowance for uncollectable pledges	(30,000)
Less: Unamortized discount	<u>(15,000)</u>
Pledges receivable, net	<u>\$ 258,203</u>

A discount rate of 3% was used to determine the net present value of pledges receivable due in more than one year.

Activity in the allowance for uncollectible pledges is as follows:

Balance, July 1	\$ 16,130
Direct charge-offs	-
Provision for uncollectible pledges	<u>13,870</u>
Pledges receivable, net	<u>\$ 30,000</u>

**4. INVESTMENTS:**

The cost and fair values of investments as of June 30, 2013 are as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Money market funds	\$ 631,090	\$ 631,090	\$ -
Mutual funds	965,561	1,026,360	60,799
Common stocks	7,272,005	8,417,264	1,145,259
Corporate bonds	1,416,490	1,393,767	(22,723)
Other	<u>500,000</u>	<u>494,135</u>	<u>(5,865)</u>
Total	<u>\$ 10,785,146</u>	<u>\$ 11,962,616</u>	<u>\$ 1,177,470</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**4. INVESTMENTS (continued):**

Endowment and investment income are allocated based on pooling of investments and consists of the following:

Interest and dividend income	\$ 315,379
Investment fees	(96,549)
Realized gain on investments	300,637
Net change in unrealized value of investments	<u>1,253,238</u>
	<u>\$ 1,772,705</u>

Over the last several years, the overall markets for the above securities fluctuated as a result of strained United States and global credit markets. Due to the recent volatility of the markets and the intent to hold assets, recognition of any temporary impairment of these investments is not necessary.

Current and prior year investments realized and unrealized gains and losses are reported in the statement of activities.

**5. ENDOWMENT FUNDS:**

The Seminary's investment and spending policies are based on the requirements of the New York State Uniform Management of Institutional Funds Act (UMIFA). As a result of The Seminary's interpretation of UMIFA, and in accordance with donor restrictions, contributions to the endowment fund were classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate; income from the fund is classified with temporarily restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the temporarily restricted net assets are reclassified to unrestricted net assets.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**5. ENDOWMENT FUNDS (continued):**

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment assets</u>
Donor restricted endowment funds	\$ -	\$ 1,127,185	\$ 9,718,925	\$ 10,846,110
Board designated endowment funds	938,583	-	-	938,583
	<u>\$ 938,583</u>	<u>\$ 1,127,185</u>	<u>\$ 9,718,925</u>	<u>\$ 11,784,693</u>

The following is a reconciliation of the activity in the Endowment funds for the fiscal year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment funds</u>
Balance, July 1, 2012	\$ 618,346	\$ 835,558	\$ 9,707,405	\$ 11,161,309
Contributions	-	179,322	11,520	190,842
Investment income, net	650,931	978,064	-	1,628,995
Amount appropriated for expenditure	<u>(330,694)</u>	<u>(865,759)</u>	<u>-</u>	<u>(1,196,453)</u>
Balance, June 30, 2013	<u>\$ 938,583</u>	<u>\$ 1,127,185</u>	<u>\$ 9,718,925</u>	<u>\$ 11,784,693</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**6. FAIR VALUE MEASUREMENTS:**

The framework for measuring fair value provides 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1        Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Seminary has the ability to access.

Level 2        Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs other that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3        Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**6. FAIR VALUE MEASUREMENTS (continued):**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013.

*Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by The Seminary are deemed to be actively traded.

*Cash surrender value of life insurance:* Valued by the insurance company at the actuarial present value of the non-forfeiture future guaranteed benefits provided by the policy.

*Annuity and life trust payable:* Valued at the contracts actuarial present value by discounting the related cash flows based on current market discount rates and applicable mortality tables.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**6. FAIR VALUE MEASUREMENTS (continued):**

The following table sets forth by level, within the fair value hierarchy, the Seminary's assets at fair value as of June 30, 2013.

<u>Description</u>	<u>Total</u>	<u>Assets at fair value as of June 30, 2013</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Cash equivalents	\$ 631,090	\$ 631,090	\$ -	\$ -
Corporate bonds	1,393,767	-	1,393,767	-
Common stocks	8,417,264	8,417,264	-	-
Mutual funds	1,026,360	1,026,360	-	-
Other investments	494,135	-	494,135	-
Cash surrender value of life insurance	157,302	-	157,302	-
<b>Total assets</b>	<b>\$ 12,119,918</b>	<b>\$ 10,074,714</b>	<b>\$ 2,045,204</b>	<b>\$ -</b>
<b>Liability:</b>				
Annuity and life trust payable	\$ 154,604	\$ -	\$ 154,604	\$ -

**7. PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of June 30, 2013 is as follows:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	232,236	417,366
Building and improvements	19,659,181	7,190,726	12,468,455
Library books and media	1,307,795	1,063,674	244,121
Furniture and equipment	1,415,883	1,399,191	16,692
Vehicles	128,958	105,392	23,566
	<u>\$ 23,902,163</u>	<u>\$ 9,991,219</u>	<u>\$ 13,910,944</u>

Depreciation expense for the year ended June 30, 2013 amounted to \$620,204.



ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

8. MORTGAGES AND LOANS PAYABLE:

A five-year term loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan bears a fixed interest rate of 3.29%. Monthly payments of \$6,250 (interest and principal) are due through November 2016. \$ 631,250

A variable rate loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan requires interest payments only through November 2013 at Libor + 1.5% (1.69% at June 30, 2013). The loan can be extended for an additional three years at the bank's option. 1,750,000

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2013) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017. 72,508

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2013) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017. 78,953

A note payable to TD Bank secured by the purchase of an SUV automobile with interest at 3.5%. Monthly payments of \$762 (interest and principal) are due through January 2015. 14,073

An open line of credit with a maximum borrowing of \$500,000 with TD Bank. Interest is at prime (3.25% at June 30, 2013) collateralized by certain investment accounts at TD Bank. 499,819

\$ 3,046,603

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**8. MORTGAGES AND LOANS PAYABLE (continued):**

Principal payments on mortgages and loans for the succeeding years are as follows for the year ending June 30:

2014	\$ 2,372,068
2015	120,021
2016	116,043
2017	<u>438,471</u>
	<u>\$ 3,046,603</u>

**9. FUNCTIONAL CLASSIFICATION OF EXPENSES:**

Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Allocations of total unrestricted expenses (with the inclusion of depreciation) for the year are as follows:

Program services:	
Instruction	\$ 1,165,326
Public service	108,116
Library	498,106
Student services	189,531
Theological research publications	18,352
Auxiliary enterprises	<u>1,216,240</u>
Total program services	<u>3,195,671</u>
Supporting services:	
General institutional	969,910
Development and communications	<u>530,148</u>
Total supporting services	<u>1,500,058</u>
Total expenses	<u>\$ 4,695,729</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**10. RETIREMENT PLAN:**

The Seminary 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 Seminary contributes 6% of each employee's salary, and the employee contributes 6%. The retirement benefit costs charged to expense amounted to \$86,000 in 2013.

Information as to the portion of accumulated pension plan benefits and plan assets is not reported separately by the Church's sponsored pension plan. A contingent liability may exist because an employer under the Employee Retirement Income Security Act, upon withdrawal from a multi-employer defined benefit plan, is required to continue to pay its proportionate share of the plan's unfunded vested benefits, if any. The liability under this provision has not been determined; however, the Seminary has no intention of withdrawing from the plan.

**11. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 15, 2013, which is the date the financial statements are available for issuance.

**ST. VLADIMIR'S  
ORTHODOX THEOLOGICAL SEMINARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
St. Vladimir's Orthodox Theological Seminary  
Crestwood, New York

We have audited the accompanying financial statements of St. Vladimir's Orthodox Theological Seminary ("The Seminary") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, the related statements of activities 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.

### Auditor's 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 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 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vladimir's Orthodox Theological Seminary as of June 30, 2014, 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.

**Report on Summarized Comparative Information**

We have previously audited the Seminary's 2013 financial statements, and our report dated October 15, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*D'Arcangelo & Co, LLP*

Rye Brook, New York  
October 15, 2014

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2014**

**With Summarized Comparative Financial Information as of June 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 381,316	\$ 35,550
Accounts receivable, net of allowance for doubtful accounts of \$126,816 in 2014 and \$114,544 in 2013	234,103	256,913
Pledges receivable, net	331,949	258,203
Prepaid expenses	52,401	49,077
Inventory	808,307	831,456
Investments	13,756,054	11,962,616
Cash surrender value of life insurance	161,859	157,302
Property and equipment, net of accumulated depreciation of \$10,581,216 in 2014 and \$9,991,219 in 2013	<u>13,374,119</u>	<u>13,910,944</u>
Total assets	<u><u>\$ 29,100,108</u></u>	<u><u>\$ 27,462,061</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 406,738	\$ 362,908
Deferred revenue	15,456	28,363
Mortgages and loans payable	2,924,417	3,046,603
Annuity and life trust payable	<u>138,120</u>	<u>154,604</u>
Total liabilities	<u>3,484,731</u>	<u>3,592,478</u>
Net assets:		
Unrestricted:		
Net investment in land, building and equipment	10,954,808	11,378,231
Board designated long-term investments	1,080,560	1,063,909
Undesignated	<u>220,540</u>	<u>552,829</u>
Total unrestricted	12,255,908	12,994,969
Temporarily restricted	3,431,472	1,095,608
Permanently restricted	<u>9,927,997</u>	<u>9,779,006</u>
Total net assets	<u>25,615,377</u>	<u>23,869,583</u>
Total liabilities and net assets	<u><u>\$ 29,100,108</u></u>	<u><u>\$ 27,462,061</u></u>



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2014**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2013**

	Unrestricted	Temporarily restricted	Permanently restricted	2014 Total	2013 Total
<b>Revenue and reclassifications</b>					
Tuition and fees	\$ 605,784	\$ -	\$ -	\$ 605,784	\$ 472,972
Less scholarships and financial aid	(296,769)	-	-	(296,769)	(254,241)
Net tuition and fees	309,015	-	-	309,015	218,731
Gifts and grants	1,672,882	1,390,280	148,991	3,212,153	1,150,933
Endowment and investment income	197,631	1,722,734	-	1,920,365	1,772,705
Subscriptions income	16,274	-	-	16,274	18,411
Special events income	250,020	-	-	250,020	29,876
Auxiliary enterprises	1,499,602	-	-	1,499,602	1,446,034
Other income	17,123	-	-	17,123	7,948
Total revenue before net assets released from restriction	3,962,547	3,113,014	148,991	7,224,552	4,644,638
Reclassifications:					
Satisfaction of program restrictions	777,150	(777,150)	-	-	-
Total revenue and reclassifications	4,739,697	2,335,864	148,991	7,224,552	4,644,638
<b>Expenses</b>					
Instruction	850,251	-	-	850,251	830,846
Public service	57,896	-	-	57,896	51,448
Library	193,351	-	-	193,351	187,311
Student services	105,717	-	-	105,717	131,339
Theological research publications	19,880	-	-	19,880	17,785
Operation and maintenance of plant	725,664	-	-	725,664	648,724
General institutional expense	1,908,505	-	-	1,908,505	1,322,446
Interest expense	70,596	-	-	70,596	74,004
Auxiliary enterprises	956,903	-	-	956,903	811,622
Total expenses	4,888,763	-	-	4,888,763	4,075,525
Change in net assets before depreciation	(149,066)	2,335,864	148,991	2,335,789	569,113
Depreciation	(589,995)	-	-	(589,995)	(620,204)
Change in net assets	(739,061)	2,335,864	148,991	1,745,794	(51,091)
Net assets, beginning of year	12,994,969	1,095,608	9,779,006	23,869,583	23,920,674
Net assets, end of year	<u>\$12,255,908</u>	<u>\$ 3,431,472</u>	<u>\$9,927,997</u>	<u>\$25,615,377</u>	<u>\$ 23,869,583</u>

See notes to financial statements.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2014**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,745,794	\$ (51,091)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	589,995	620,204
Realized (gain) on investments	(516,397)	(300,637)
Unrealized (gain) on investments	(1,231,570)	(1,253,238)
Bad debt expense, student services	30,621	3,398
Bad debt expense, advancement	87,749	13,870
Discount on pledges receivable	3,800	2,600
(Increase) decrease in operating assets:		
Accounts receivable	(7,811)	11,964
Pledges receivable	(165,295)	(34,363)
Prepaid expenses	(3,324)	1,972
Inventory	23,149	28,206
Cash surrender value of life insurance	(4,557)	(438)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	43,830	2,340
Deferred revenue	(12,907)	(2,267)
Annuity and life trust payable	(16,484)	(7,791)
Net cash provided by (used in) operating activities	<u>566,593</u>	<u>(965,271)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	13,132,590	12,368,136
Purchase of investments	(13,178,060)	(11,548,829)
Purchase of property and equipment	<u>(53,171)</u>	<u>(121,138)</u>
Net cash provided by (used in) investing activities	<u>(98,641)</u>	<u>698,169</u>
<b>Cash flows from financing activities:</b>		
Proceeds from debt	-	19,000
Repayment of principal debt	<u>(122,186)</u>	<u>(120,635)</u>
Net cash (used in) financing activities	<u>(122,186)</u>	<u>(101,635)</u>
Net increase (decrease) in cash	345,766	(368,737)
Cash, beginning of year	<u>35,550</u>	<u>404,287</u>
Cash, end of year	<u>\$ 381,316</u>	<u>\$ 35,550</u>
<b>Supplementary information:</b>		
Total interest paid	\$ 70,881	\$ 74,198

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Organization, nature of activities and tax-exempt status**

St. Vladimir's Orthodox Theological Seminary, ("The Seminary") is a graduate professional school chartered and approved by the Board of Regents of the University of the State of New York and accredited nationally by the Association of Theological Schools. The Seminary's two-fold mission is to adequately prepare educated clergy and leaders to service the Orthodox faithful in this country and abroad, and to promote study and research in Orthodox theology, history and culture.

The Seminary is a not-for-profit corporation organized under the not-for-profit laws of New York State, and chartered as an education corporation by the Education Department of the State of New York. The Seminary has been determined to be an organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions. The Seminary has also been classified as an entity that is not a private foundation within the meaning of IRC Section 509(a) thereby qualifying for the receipt of deductible contributions as provided in IRC Section 170. The Seminary is not required to file an IRS annual form 990 and related State forms.

#### **Basis of accounting**

The accounting and reporting policies of The Seminary conform to accounting principles generally accepted in the United States of America ("GAAP").

#### **Basis of financial statement presentation and classification of net assets**

The financial statements of The Seminary have been prepared on the accrual basis of accounting, in accordance with GAAP for not-for-profit organizations. The net assets of The Seminary and changes therein are classified and reported as follows:

#### **Net assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted net assets** - Net assets that 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Basis of financial statement presentation and classification of net assets (continued)

Net assets (continued):

**Temporarily restricted net assets** - Net assets that 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 Seminary which fulfill the restrictions or because of the passage of time. Expiration 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.

**Permanently restricted net assets** - Net assets 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 Seminary to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

Accounts receivable

The Seminary has established an allowance for doubtful accounts to provide for potential losses in the various receivable accounts. The allowances for doubtful accounts is established through a provision for losses charged to expense. Receivables are charged against the allowance when management believes that collectibility is unlikely. The allowance is an amount that management believes will be adequate to absorb losses on existing receivables that may become uncollectible, based on evaluations that take into consideration such factors as changes in the nature and volume of receivables, review of specific problem receivables, and current economic conditions that may affect collection.

Activity in the allowance for doubtful accounts is as follows:

	Tuition receivable	Press/Book store receivable	Total
Balance, beginning of year	\$ 76,879	\$ 37,665	\$ 114,544
Direct charge-offs/recoveries	(206)	(18,143)	(18,349)
Provision for bad debts	30,621	-	30,621
	<u>\$ 107,294</u>	<u>\$ 19,522</u>	<u>\$ 126,816</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Revenue and expense recognition**

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**Deferred revenue**

Deferred revenue results from The Seminary recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school term are deferred until the instruction commences.

**Prepaid expenses**

Prepaid expenses represent payments made by The Seminary for which benefits extend beyond year end.

**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.

**Cash equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as cash on deposit, cash on hand and certificates of deposits with original maturities less than three months (if any) at the time The Seminary purchased the financial instrument and which are not designated as held for investment. The Seminary does not currently have any cash equivalents that are not included in investments.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Investment valuation and income recognition**

Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Seminary's management determines the valuation policies utilizing information provided by the investment advisers and custodians. See note 6 for a discussion on fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the gains and losses on investments bought and sold as well as held during the year.

Donated investments are reflected as contributions at their fair values at date of receipt.

**Endowment investment and spending policies**

The Seminary maintains various donor-restricted and board designated funds whose purpose is to provide long-term support for its programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, 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 Board has 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 of The Seminary, 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.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Endowment investment and spending policies (continued)**

The Seminary utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub-classes. Endowment return objectives are to exceed composite benchmark results of approximately nine percent (9%) over the long-term with a moderate level of risk. In order to achieve this objective, The Seminary follows the strategy of weighing the asset allocation to higher yielding asset classes, including equities and alternative investments, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board's interpretation of State law.

**Inventory**

The Seminary's bookstore inventory is stated at the lower of cost or market, determined by the first-in, first-out method.

**Pledges receivable**

Pledges receivable are recognized as income in the year made. Pledges and distributions of bequests that are expected to be received within one year are recorded at net realizable value. Pledges and distributions from bequests that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Property and equipment**

Additions to property and equipment in excess of \$5,000 are recorded at cost or, if donated, at the fair value on the date of the gift.

Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building and improvements	30 - 40 years
Library books and media	5 - 10 years
Furniture and equipment	5 - 10 years
Vehicles	5 years

The Seminary reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the facility and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in fiscal 2014.

**Scholarships and financial aid**

Gross tuition and fees reflect The Seminary's normal tuition rates for all students. Scholarships and financial aid are netted against gross tuition and fees.



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Charitable gift annuities and charitable remainder unitrust**

The Seminary has entered into several Charitable Gift Annuity Agreements and Charitable Remainder Unitrusts whereby the donor contributes assets in exchange for distributions for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for The Seminary's use. Assets received are recorded at fair value on the date the agreement or unitrust is recognized, and a liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, The Seminary revalues the liability based on applicable mortality tables and discount rates, which vary from 1.0% to 3.0%. One annuitant has stipulated a payout of 50% of the contributed asset account balance to an unrelated third party, after death, in the event there remain enough funds in the investment asset account to make such a payout. During the fiscal year ended June 30, 2014, no such excess funds payout was required.

**Prior year summarized comparative information**

The financial statements include certain prior year summarized comparative information in total but not by asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with The Seminary's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**Donated material and services**

Donated non-cash assets are recorded at their fair values at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

**Expense allocation**

Directly identifiable expenses are charged to programs and supporting services. Development and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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 period. Actual results could differ from those estimates.

**Sales taxes**

The Seminary collects sales taxes imposed on nonexempt customers. The Seminary's policy is to exclude the tax collected and remitted from sales and cost of sales. Any unpaid amounts are included in accounts payable and accrued expenses until remitted to the appropriate taxing jurisdiction.

**2. CONCENTRATIONS:**

Financial instruments that potentially subject The Seminary to concentrations of credit risk consist principally of temporary cash investments, pledges receivable, and investment securities. The Seminary places its temporary cash investments with major financial institutions. From time to time throughout the year, cash balances can exceed the Federal Deposit Insurance Corporation (FDIC) coverage. Management believes that it is not exposed to any significant risk with respect to these accounts.

Management believes the concentrations of credit risk with respect to pledges receivable is minimal due to the large number of contributors comprising The Seminary's contributor base and their dispersion across different industries and geographic areas.

The Seminary invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the statement of financial position.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**3. PLEDGES RECEIVABLE:**

Pledged commitments consist of one time pledges for annual operating support and pledges in connection with capital campaigns.

Pledges receivable are summarized as follow:

Due in less than one year	\$ 126,916
Due in one to five years	253,833
	<u>380,749</u>
Less: Allowance for uncollectable pledges	(30,000)
Less: Unamortized discount	<u>(18,800)</u>
Pledges receivable, net	<u>\$ 331,949</u>

A discount rate of 3% was used to determine the net present value of pledges receivable due in more than one year.

Activity in the allowance for uncollectible pledges is as follows:

Balance, beginning of year	\$ 30,000
Direct charge-offs	(87,749)
Provision for uncollectible pledges	<u>87,749</u>
Allowance for uncollectible pledges	<u>\$ 30,000</u>

**4. INVESTMENTS:**

The cost and fair values of investments as of June 30, 2014 are as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Money market funds	\$ 262,191	\$ 262,191	\$ -
Mutual funds	4,556,910	4,708,596	151,686
Corporate equity securities	5,821,437	6,895,481	1,074,044
Corporate bonds	1,393,101	1,381,881	(11,220)
Other	<u>494,135</u>	<u>507,905</u>	<u>13,770</u>
Total	<u>\$ 12,527,774</u>	<u>\$ 13,756,054</u>	<u>\$ 1,228,280</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**4. INVESTMENTS (continued):**

Endowment and investment income are allocated based on pooling of investments and consist of the following:

Interest and dividend income	\$ 301,246
Investment fees	(128,848)
Realized gain on investments	516,397
Net change in unrealized value of investments	<u>1,231,570</u>
	<u>\$ 1,920,365</u>

Over the last several years, the overall markets for the above securities fluctuated as a result of strained United States and global credit markets. Due to the recent volatility of the markets and the intent to hold assets, recognition of any temporary impairment of these investments is not necessary.

Current and prior year investments realized and unrealized gains and losses are reported in the statement of activities.

**5. ENDOWMENT FUNDS:**

The Seminary's investment and spending policies are based on the requirements of the New York State Uniform Management of Institutional Funds Act (UMIFA). As a result of The Seminary's interpretation of UMIFA, and in accordance with donor restrictions, contributions to the endowment fund were classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate; income from the fund is classified with temporarily restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the temporarily restricted net assets are reclassified to unrestricted net assets.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**5. ENDOWMENT FUNDS (continued):**

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment assets</u>
Donor restricted endowment funds	\$ -	\$ 3,431,472	\$ 9,927,997	\$ 13,359,469
Board designated endowment funds	<u>1,011,311</u>	<u>-</u>	<u>-</u>	<u>1,011,311</u>
	<u>\$ 1,011,311</u>	<u>\$ 3,431,472</u>	<u>\$ 9,927,997</u>	<u>\$ 14,370,780</u>

The following is a reconciliation of the activity in the Endowment funds for the fiscal year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment funds</u>
Balance, beginning of year	\$ 938,583	\$ 1,127,185	\$ 9,779,006	\$ 11,844,774
Contributions	500,000	1,390,280	148,991	2,039,271
Investment income, net	17,523	1,691,157	-	1,708,680
Amount appropriated for expenditure	<u>(444,795)</u>	<u>(777,150)</u>	<u>-</u>	<u>(1,221,945)</u>
Balance, end of year	<u>\$ 1,011,311</u>	<u>\$ 3,431,472</u>	<u>\$ 9,927,997</u>	<u>\$ 14,370,780</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**6. FAIR VALUE MEASUREMENTS:**

The framework for measuring fair value provides 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1        Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Seminary has the ability to access.

Level 2        Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs other that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3        Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**6. FAIR VALUE MEASUREMENTS (continued):**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013.

*Corporate equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by The Seminary are deemed to be actively traded.

*Cash surrender value of life insurance:* Valued by the insurance company at the actuarial present value of the non-forfeiture future guaranteed benefits provided by the policy.

*Annuity and life trust payable:* Valued at the contracts actuarial present value by discounting the related cash flows based on current market discount rates and applicable mortality tables.

The preceding methods described may produce a fair value calculation that may not be reflective of future fair values. Furthermore management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**6. FAIR VALUE MEASUREMENTS (continued):**

The following table sets forth by level, within the fair value hierarchy, the Seminary's assets at fair value on a recurring basis as of June 30, 2014.

<u>Description</u>	<u>Total</u>	<u>Assets at fair value as of June 30, 2014</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>				
Cash equivalents included in investments	\$ 262,191	\$ 262,191	\$ -	\$ -
Corporate bonds	1,381,881	-	1,381,881	-
Corporate equity securities	6,895,481	6,895,481	-	-
Mutual funds	4,708,596	4,708,596	-	-
Other investments	507,905	-	507,905	-
Cash surrender value of life insurance	161,859	-	161,859	-
<b>Total assets</b>	<b>\$ 13,917,913</b>	<b>\$ 11,866,268</b>	<b>\$ 2,051,645</b>	<b>\$ -</b>
<b>Liability:</b>				
Annuity and life trust payable	\$ 138,120	\$ -	\$ 138,120	\$ -

**7. PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of June 30, 2014 is as follows:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	248,476	401,126
Building and improvements	19,685,315	7,698,523	11,986,792
Library books and media	1,330,124	1,110,211	219,913
Furniture and equipment	1,420,592	1,409,545	11,047
Vehicles	128,958	114,461	14,497
	<b>\$ 23,955,335</b>	<b>\$ 10,581,216</b>	<b>\$ 13,374,119</b>



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**7. PROPERTY AND EQUIPMENT (continued):**

Depreciation expense for the year ended June 30, 2014 amounted to \$589,995.

**8. MORTGAGES AND LOANS PAYABLE:**

A five-year term loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan bears a fixed interest rate of 3.29%. Monthly payments of \$6,250 (interest and principal) are due through November 2016. \$ 556,250

A variable rate loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan requires interest payments only through March 2015 at Libor + 1.5% (1.65% at June 30, 2014). The loan can be extended for an additional three years at the bank's option. 1,750,000

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2014) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017. 54,125

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2014) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017. 58,936

A note payable to TD Bank secured by the purchase of an SUV automobile with interest at 3.5%. Monthly payments of \$762 (interest and principal) are due through January 2015. 5,287

An open line of credit with a maximum borrowing of \$500,000 with TD Bank maturing March 2015. Interest is at prime (3.25% at June 30, 2014) collateralized by certain investment accounts at TD Bank. 499,819

**\$ 2,924,417**

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**8. MORTGAGES AND LOANS PAYABLE (continued):**

Principal payments on mortgages and loans for the succeeding years are as follows for the year ending June 30:

2015	\$ 2,369,837
2016	522,291
2017	<u>32,289</u>
	<u>\$ 2,924,417</u>

**9. FUNCTIONAL CLASSIFICATION OF EXPENSES:**

Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Allocations of total unrestricted expenses (with the inclusion of depreciation) for the year are as follows:

Program services:	
Instruction	\$ 1,195,208
Public service	118,945
Library	512,412
Student services	169,218
Theological research publications	20,398
Auxiliary enterprises	<u>1,370,179</u>
Total program services	<u>3,386,360</u>
Supporting services:	
General institutional	1,562,250
Development and communications	<u>530,148</u>
Total supporting services	<u>2,092,398</u>
Total expenses	<u>\$ 5,478,758</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**10. RETIREMENT PLAN:**

The Seminary 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 Seminary contributes 6% of each employee's salary, and the employee contributes 6%. The retirement benefit costs charged to expense amounted to \$104,275 in 2014.

Information as to the portion of accumulated pension plan benefits and plan assets is not reported separately by the Church's sponsored pension plan. A contingent liability may exist because an employer under the Employee Retirement Income Security Act, upon withdrawal from a multi-employer defined benefit plan, is required to continue to pay its proportionate share of the plan's unfunded vested benefits, if any. The liability under this provision has not been determined; however, The Seminary has no intention of withdrawing from the plan.

**11. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 15, 2014, which is the date the financial statements are available for issuance.

# **THE MONKS OF NEW SKETE FINANCIAL STATEMENTS**

1. Balance Sheets for the years 2011 through 2014

New Skete Monasteries Inc  
**Balance Sheet**  
As of December 31, 2014

	<u>Dec 31, 13</u>	<u>Dec 31, 14</u>
<b>ASSETS</b>		
Current Assets		
Checking/Savings		
Cash on Hand	0.00	535.44
KeyBank	363.15	17,552.24
Total Checking/Savings	<u>363.15</u>	<u>18,087.68</u>
Total Current Assets	<u>363.15</u>	<u>18,087.68</u>
<b>TOTAL ASSETS</b>	<b><u>363.15</u></b>	<b><u>18,087.68</u></b>
<b>LIABILITIES &amp; EQUITY</b>		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	0.00	2,641.90
Total Accounts Payable	<u>0.00</u>	<u>2,641.90</u>
Other Current Liabilities		
Intercompany to Monks of NS	0.00	15,113.27
Total Other Current Liabilities	<u>0.00</u>	<u>15,113.27</u>
Total Current Liabilities	<u>0.00</u>	<u>17,755.17</u>
Total Liabilities	0.00	17,755.17
Equity		
Opening Balance Equity	363.15	363.15
Net Income	0.00	-30.64
Total Equity	<u>363.15</u>	<u>332.51</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>363.15</u></b>	<b><u>18,087.68</u></b>

The Monks of New Skete  
**Balance Sheet**  
As of December 31, 2014

	<u>Dec 31, 11</u>	<u>Dec 31, 12</u>	<u>Dec 31, 13</u>	<u>Dec 31, 14</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
<b>Checking/Savings</b>				
1000000 · Cash	86,671.35	17,060.32	150,718.57	56,139.54
1100000 · Marketable Securities	64,876.72	71,616.74	104,902.44	100,913.08
1120000 · Vanguard Group	1,398,639.80	1,379,702.39	1,581,967.87	1,624,577.12
<b>Total Checking/Savings</b>	<u>1,550,187.87</u>	<u>1,468,379.45</u>	<u>1,837,588.88</u>	<u>1,781,629.74</u>
<b>Accounts Receivable</b>				
1200 · Accounts Receivable	-644.52	-644.52	-644.52	-644.52
<b>Total Accounts Receivable</b>	<u>-644.52</u>	<u>-644.52</u>	<u>-644.52</u>	<u>-644.52</u>
<b>Other Current Assets</b>				
1400000 · Exchange	1,978.02	0.00	0.00	-40.00
1400010 · Due from/<to> New Skete Farms	651,933.79	660,344.34	512,295.95	429,530.24
1405010 · Pre-paid oil & propane	-11,440.85	-9,562.10	0.00	0.00
<b>Total Other Current Assets</b>	<u>642,470.96</u>	<u>650,782.24</u>	<u>512,295.95</u>	<u>429,490.24</u>
<b>Total Current Assets</b>	<u>2,192,014.31</u>	<u>2,118,517.17</u>	<u>2,349,240.31</u>	<u>2,210,475.46</u>
<b>Fixed Assets</b>				
1500210 · Telephone System	0.00	21,239.46	21,239.46	21,239.46
1500000 · Property, Plant, & Equipment	1,342,948.28	1,359,748.78	1,464,354.40	1,906,292.82
1509000 · Land	35,000.00	35,000.00	35,000.00	35,000.00
1500005 · Accumulated Depreciation	-1,001,233.85	-1,001,233.85	-1,001,233.85	-1,001,233.85
<b>Total Fixed Assets</b>	<u>376,714.43</u>	<u>414,754.39</u>	<u>519,360.01</u>	<u>961,298.43</u>
<b>TOTAL ASSETS</b>	<u><b>2,568,728.74</b></u>	<u><b>2,533,271.56</b></u>	<u><b>2,868,600.32</b></u>	<u><b>3,171,773.89</b></u>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
<b>Accounts Payable</b>				
2000000 · Accounts Payable	68,112.58	16,791.39	61,098.63	51,951.35
<b>Total Accounts Payable</b>	<u>68,112.58</u>	<u>16,791.39</u>	<u>61,098.63</u>	<u>51,951.35</u>
<b>Credit Cards</b>				
2025025 · House Credit Card	0.00	0.00	0.00	0.00
<b>Total Credit Cards</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Other Current Liabilities</b>				
240000 · Cap investment/loan to NSMLLC	-250.00	-250.00	-250.00	-250.00
2500000 · Intercompany to NS Monasteries	0.00	0.00	0.00	-16,489.45
<b>Total Other Current Liabilities</b>	<u>-250.00</u>	<u>-250.00</u>	<u>-250.00</u>	<u>-16,739.45</u>
<b>Total Current Liabilities</b>	<u>67,862.58</u>	<u>16,541.39</u>	<u>60,848.63</u>	<u>35,211.90</u>
<b>Total Liabilities</b>	<u>67,862.58</u>	<u>16,541.39</u>	<u>60,848.63</u>	<u>35,211.90</u>
<b>Equity</b>				
3000000 · Opening Bal Equity	5,813.89	5,813.89	5,813.89	5,813.89
3700200 · Unrealized security gain (loss)	-235,545.34	-231,182.03	-222,880.71	-229,690.92
3900000 · Retained Earnings	2,650,276.84	2,730,597.61	2,742,098.31	3,024,818.51
Net Income	80,320.77	11,500.70	282,720.20	335,620.51
<b>Total Equity</b>	<u>2,500,866.16</u>	<u>2,516,730.17</u>	<u>2,807,751.69</u>	<u>3,136,561.99</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>2,568,728.74</b></u>	<u><b>2,533,271.56</b></u>	<u><b>2,868,600.32</b></u>	<u><b>3,171,773.89</b></u>

# **NUNS OF NEW SKETE FINANCIAL STATEMENTS**

1. Internal Financial Statements for the year ended December 31, 2011
2. Internal Financial Statements for the year ended December 31, 2012
3. Internal Financial Statements for the year ended December 31, 2013
4. Internal Financial Statements for the year ended December 31, 2014

Nuns of New Skete - Operations  
**Balance Sheet**  
 As of December 31, 2012

	Dec 31, 12
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
10100 · Cash Accounts	
10110 · Checking Acct 27041351	3,295.07
10170 · Cash on Hand	2,287.98
<b>Total 10100 · Cash Accounts</b>	5,583.05
<b>Total Checking/Savings</b>	5,583.05
<b>Accounts Receivable</b>	
10200 · Accounts Receivable	
10215 · Accounts Receivable-NSK Fac Chg	
10216 · A/R - NSK Fac Chg- Cash	-11,294.28
10217 · A/R - NSK Fac Chg- P/R House	-31,517.73
10218 · A/R - NSK Fac Chg- P/R - Advcmnt	-16,149.10
10215 · Accounts Receivable-NSK Fac Chg - Other	68,051.47
<b>Total 10215 · Accounts Receivable-NSK Fac Chg</b>	9,090.36
<b>Total 10200 · Accounts Receivable</b>	9,090.36
<b>Total Accounts Receivable</b>	9,090.36
<b>Other Current Assets</b>	
11000 · Interfunds	
11100 · Due To/From Kitchens	9,318.12
<b>Total 11000 · Interfunds</b>	9,318.12
<b>Total Other Current Assets</b>	9,318.12
<b>Total Current Assets</b>	23,991.53
<b>Fixed Assets</b>	
<b>15000 · Fixed Assets</b>	
<b>15100 · Vehicles</b>	
15101 · Accum Deprec - Vehicles	-30,000.00
15100 · Vehicles - Other	60,000.00
<b>Total 15100 · Vehicles</b>	30,000.00
<b>15200 · Furniture &amp; Fixtures</b>	
15201 · Accum Deprec - Furn & Fixtrs	-50,000.00
15200 · Furniture & Fixtures - Other	50,000.00
<b>Total 15200 · Furniture &amp; Fixtures</b>	0.00
<b>15300 · Buildings</b>	
15301 · Accum Deprec - Buildings	-1,000,000.00
15300 · Buildings - Other	1,000,000.00
<b>Total 15300 · Buildings</b>	0.00
<b>15400 · Improvements</b>	
15401 · Accum Deprec - Improvements	525.00
15410 · Fulfillment Center	10,203.15
15420 · Office	4,251.84
15430 · Break Room	1,763.10
15440 · Voice/Data infrastructure Equip	7,000.00
<b>Total 15400 · Improvements</b>	23,743.09
<b>15800 · Business Assets</b>	
15810 · Kitchen Facilities	
15811 · Accum Deprec - Kitch Fac	-500,000.00
15810 · Kitchen Facilities - Other	500,000.00
<b>Total 15810 · Kitchen Facilities</b>	0.00
<b>Total 15800 · Business Assets</b>	0.00



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Accrual Basis

Nuns of New Skete - Operations  
**Balance Sheet**  
As of December 31, 2012

	Dec 31, 12
Total 15000 · Fixed Assets	53,743.09
16000 · Land	500,000.00
<b>Total Fixed Assets</b>	<b>553,743.09</b>
<b>Other Assets</b>	
12000 · Other Assets	
12100 · Investments	
12120 · Merrill Lynch	163,262.71
12150 · LCBA	89,561.64
12160 · Key Holding Investments	
12162 · Key Investment Account	97,061.17
12160 · Key Holding Investments - Other	-971.38
<b>Total 12160 · Key Holding Investments</b>	<b>96,089.79</b>
<b>Total 12100 · Investments</b>	<b>348,914.14</b>
12500 · Loans to Kitchens	
12530 · General	77,590.20
<b>Total 12500 · Loans to Kitchens</b>	<b>77,590.20</b>
12800 · Other Loans	9,275.00
<b>Total 12000 · Other Assets</b>	<b>435,779.34</b>
<b>Total Other Assets</b>	<b>435,779.34</b>
<b>TOTAL ASSETS</b>	<b>1,013,513.96</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
20200 · Accounts Payable	190.42
<b>Total Accounts Payable</b>	<b>190.42</b>
<b>Other Current Liabilities</b>	
20300 · Sales Tax Payable	794.25
<b>Total Other Current Liabilities</b>	<b>794.25</b>
<b>Total Current Liabilities</b>	<b>984.67</b>
<b>Total Liabilities</b>	<b>984.67</b>
<b>Equity</b>	
31000 · General Fund Balance	564,080.73
32001 · Unrestricted Net Assets	-44,043.05
39000 · Fund Balance - Capital Assets	530,000.00
Net Income	-37,508.39
<b>Total Equity</b>	<b>1,012,529.29</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,013,513.96</b>

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2012

	<u>Jan - Dec 12</u>
<b>Income</b>	
<b>40000 · REVENUE</b>	
41000 · Donations	
41100 · General Donations	11,610.31
41300 · Restricted Donations	0.00
41600 · Guests	6,370.00
<b>Total 41000 · Donations</b>	<u>17,980.31</u>
43000 · Community Income	
43100 · Social Security	9,880.00
43200 · SSI	10,068.24
43800 · Other Community Income	1,340.00
<b>Total 43000 · Community Income</b>	<u>21,288.24</u>
44000 · Activity Revenue	
44300 · Spiritual Direction	645.00
<b>Total 44000 · Activity Revenue</b>	<u>645.00</u>
46000 · Business Revenue	
46100 · Facility Charges - NSK	15,000.00
46200 · Liturgy & Arts	
46210 · Gift Shop Sales	7,706.00
46250 · Icon Sales	5,460.00
46200 · Liturgy & Arts - Other	450.00
<b>Total 46200 · Liturgy &amp; Arts</b>	<u>13,616.00</u>
46300 · Gift Shop - NSK Products	76,817.67
46900 · Over/Short Register	216.00
<b>Total 46000 · Business Revenue</b>	<u>105,649.67</u>
<b>Total 40000 · REVENUE</b>	<u>145,563.22</u>
43900 · Investment Income	
43910 · Interest income	3,934.08
43920 · Dividend reinvested	9,210.63
43930 · Capital Gain/<Loss>	8,534.20
<b>Total 43900 · Investment Income</b>	<u>21,678.91</u>
48000 · Miscellaneous Revenue	34.20
<b>Total Income</b>	<u>167,276.33</u>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	
50100 · Cost of Goods-NSK	61,140.60
<b>Total 50000 · Cost of Goods Sold</b>	<u>61,140.60</u>
<b>Total COGS</b>	<u>61,140.60</u>
<b>Gross Profit</b>	<u>106,135.73</u>
<b>Expense</b>	
<b>60000 · EXPENSES</b>	
61000 · General Expenses	
61110 · Utilities,	5,570.52
61120 · Phone & Internet	4,926.32
61130 · Correspondence & Postage	999.72
61200 · Food	13,302.73
61250 · Dining	1,294.59
61300 · Clothing	2,734.81
61400 · Household Items	3,478.07
61500 · Hygiene	1,704.67
61600 · Entertainment	3,635.55
61700 · Books & Magazines	1,199.45
61800 · Travel	817.26
61900 · Gifts/Donations	5,795.62
61000 · General Expenses - Other	88.10

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 Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2012

	Jan - Dec 12
Total 61000 · General Expenses	45,547.41
62000 · Gift Shop Expenses	
62100 · Allocated Labor - NSM-Gift Shop	4,718.17
62000 · Gift Shop Expenses - Other	79.24
Total 62000 · Gift Shop Expenses	4,797.41
63000 · Purchased Services	
63200 · Retreats, Conferences & Seminars	411.00
63300 · Medical	2,612.48
63310 · Medical-RX	230.48
63320 · Medical-OC	1,026.70
63350 · Medical Insurance	2,736.04
Total 63000 · Purchased Services	7,016.70
64000 · Vehicle Expenses	
64100 · Gasoline	3,883.41
64200 · Vehicle Maint/Srvc/Reg	1,616.75
Total 64000 · Vehicle Expenses	5,500.16
65000 · House Maintenance	
65010 · Allocated Labor-NSM -Cleaning	10,497.55
65100 · Labor by NSK Staff	
65180 · Labor offset - Gift Shop	114.00
Total 65100 · Labor by NSK Staff	114.00
65200 · Cleaning Supplies	590.46
65400 · Maintenance Supplies	421.25
65500 · Repairs & Maintenance Service	21,458.16
65600 · Water Treatment Supplies & Mnt	1,075.97
Total 65000 · House Maintenance	34,157.39
66000 · Pets	
66100 · Bird Supplies	194.30
66200 · Dog Supplies	811.15
66700 · Veterinarian	2,932.67
Total 66000 · Pets	3,938.12
67000 · Grounds Maintenance	
67010 · Allocated Labor - NSM -Maint.	8,283.98
67200 · Yard Maintenance	3,179.67
67300 · Gardens Expense	599.99
67400 · Swimming Pool Maintenance	7,063.88
67500 · Outbuildings Maintenance	421.23
67600 · Road Maintenance	1,290.00
Total 67000 · Grounds Maintenance	20,838.75
70000 · Activity Expenses	
78000 · Ecclesiatical/Confraternity Exp	
78200 · Ceremonial Items	
78250 · Candles-Holy Wisdom	1,555.22
78200 · Ceremonial Items - Other	5,385.00
Total 78200 · Ceremonial Items	6,940.22
Total 78000 · Ecclesiatical/Confraternity Exp	6,940.22
Total 70000 · Activity Expenses	6,940.22
90000 · Admin & Government	
91000 · Administrative Expenses	
91100 · Allocated Labor Expense	
91110 · Allocated Labor - NSM -General	2,830.94
91170 · Allocated Labor - NSM -Advcmnt	4,491.00
Total 91100 · Allocated Labor Expense	7,321.94

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Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
January through December 2012

	<u>Jan - Dec 12</u>
Total 91000 · Administrative Expenses	7,321.94
91500 · Insurance	
91530 · Insurance - Buildings	<u>2,350.55</u>
Total 91500 · Insurance	2,350.55
92000 · Office Supplies	3.00
92500 · Copier Lease	508.24
93000 · Website & Internet	185.00
94000 · Computers & Support	1,003.46
95000 · Printing Services	159.60
98000 · Taxes, Licenses, Fees	
98100 · Taxes	50.00
98400 · Bank Fees	248.23
98500 · Credit Card Interest & Fees	627.84
98600 · Investment fees	<u>1,922.29</u>
Total 98000 · Taxes, Licenses, Fees	2,848.36
99000 · Miscellaneous Expenses	488.59
90000 · Admin & Government - Other	<u>39.22</u>
Total 90000 · Admin & Government	14,907.96
Total 60000 · EXPENSES	143,644.12
66900 · Reconciliation Discrepancies	<u>0.00</u>
Total Expense	143,644.12
Net Income	<u><u>-37,508.39</u></u>

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11/21/14

Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
As of December 31, 2013

	Dec 31, 13
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
10100 · Cash Accounts	
10110 · Checking Acct 27041351	2,832.36
10170 · Cash on Hand	3,224.56
10180 · Petty Cash	162.04
<b>Total 10100 · Cash Accounts</b>	<b>6,218.96</b>
<b>Total Checking/Savings</b>	<b>6,218.96</b>
<b>Accounts Receivable</b>	
10200 · Accounts Receivable	
10215 · Accounts Receivable-NSK Fac Chg	
10216 · A/R - NSK Fac Chg- Cash	-11,294.28
10217 · A/R - NSK Fac Chg- P/R House	-31,517.73
10218 · A/R - NSK Fac Chg- P/R - Advcmnt	-16,149.10
10215 · Accounts Receivable-NSK Fac Chg - Other	68,051.47
<b>Total 10215 · Accounts Receivable-NSK Fac Chg</b>	<b>9,090.36</b>
10200 · Accounts Receivable - Other	152.00
<b>Total 10200 · Accounts Receivable</b>	<b>9,242.36</b>
<b>Total Accounts Receivable</b>	<b>9,242.36</b>
<b>Other Current Assets</b>	
11000 · Interfunds	
11100 · Due To/From Kitchens	2,109.32
<b>Total 11000 · Interfunds</b>	<b>2,109.32</b>
11900 · In-House	
11920 · Other Advances	-298.46
<b>Total 11900 · In-House</b>	<b>-298.46</b>
12001 · Undeposited Funds	1,380.19
<b>Total Other Current Assets</b>	<b>3,191.05</b>
<b>Total Current Assets</b>	<b>18,652.37</b>
<b>Fixed Assets</b>	
15000 · Fixed Assets	
15100 · Vehicles	
15101 · Accum Deprec - Vehicles	-30,000.00
15100 · Vehicles - Other	60,000.00
<b>Total 15100 · Vehicles</b>	<b>30,000.00</b>
15200 · Furniture & Fixtures	
15201 · Accum Deprec - Furn & Fixtrs	-50,000.00
15200 · Furniture & Fixtures - Other	50,000.00
<b>Total 15200 · Furniture &amp; Fixtures</b>	<b>0.00</b>
15300 · Buildings	
15301 · Accum Deprec - Buildings	-1,000,000.00
15300 · Buildings - Other	1,000,000.00
<b>Total 15300 · Buildings</b>	<b>0.00</b>
15400 · Improvements	
15401 · Accum Deprec - Improvements	525.00
15410 · Fulfillment Center	10,203.15
15420 · Office	4,251.84
15430 · Break Room	1,763.10
15440 · Voice/Data infrastructure Equip	7,000.00
<b>Total 15400 · Improvements</b>	<b>23,743.09</b>
15500 · Major Equipment	
15503 · Generator-2014	1,830.00
	<b>1,830.00</b>

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 Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
 As of December 31, 2013

	Dec 31, 13
Total 15500 · Major Equipment	1,830.00
15800 · Business Assets	
15810 · Kitchen Facilities	
15811 · Accum Deprec - Kitch Fac	-500,000.00
15810 · Kitchen Facilities - Other	500,000.00
Total 15810 · Kitchen Facilities	0.00
Total 15800 · Business Assets	0.00
15000 · Fixed Assets - Other	29,482.02
Total 15000 · Fixed Assets	85,055.11
16000 · Land	500,000.00
Total Fixed Assets	585,055.11
Other Assets	
12000 · Other Assets	
12100 · Investments	
12120 · Merrill Lynch	138,947.32
12150 · LCBA	93,242.68
12160 · Key Holding Investments	
12162 · Key Investment Account	97,061.17
12160 · Key Holding Investments - Other	7,376.65
Total 12160 · Key Holding Investments	104,437.82
Total 12100 · Investments	336,627.82
12500 · Loans to Kitchens	
12530 · General	77,590.20
Total 12500 · Loans to Kitchens	77,590.20
12800 · Other Loans	6,300.00
Total 12000 · Other Assets	420,518.02
Total Other Assets	420,518.02
<b>TOTAL ASSETS</b>	<b>1,024,225.50</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20200 · Accounts Payable	11,553.42
Total Accounts Payable	11,553.42
Other Current Liabilities	
20300 · Sales Tax Payable	640.67
20900 · Exchange	112.00
Total Other Current Liabilities	752.67
Total Current Liabilities	12,306.09
Total Liabilities	12,306.09
Equity	
31000 · General Fund Balance	564,080.73
32001 · Unrestricted Net Assets	-81,551.44
39000 · Fund Balance - Capital Assets	530,000.00
Net Income	-609.88
Total Equity	1,011,919.41
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,024,225.50</b>

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 Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2013

	Jan - Dec 13
<b>Income</b>	
<b>40000 · REVENUE</b>	
41000 · Donations	
41100 · General Donations	18,270.00
41300 · Restricted Donations	1,977.00
41600 · Guests	4,507.73
<b>Total 41000 · Donations</b>	<b>24,754.73</b>
43000 · Community Income	
43100 · Social Security	10,971.58
43200 · SSI	16,835.84
43800 · Other Community Income	6,554.00
<b>Total 43000 · Community Income</b>	<b>34,361.42</b>
44000 · Activity Revenue	
44200 · Retreats	1,221.00
44300 · Spiritual Direction	1,344.00
<b>Total 44000 · Activity Revenue</b>	<b>2,565.00</b>
46000 · Business Revenue	
46200 · Liturgy & Arts	
46210 · Gift Shop Sales	8,307.00
46250 · Icon Sales	2,870.00
<b>Total 46200 · Liturgy &amp; Arts</b>	<b>11,177.00</b>
46300 · Gift Shop - NSK Products	76,644.43
<b>Total 46000 · Business Revenue</b>	<b>87,821.43</b>
<b>Total 40000 · REVENUE</b>	<b>149,502.58</b>
43900 · Investment Income	
43910 · Interest income	3,682.16
43920 · Dividend reinvested	8,354.05
43930 · Capital Gain/<Loss>	23,202.33
43940 · Dividend income	637.14
43900 · Investment Income - Other	8,807.00
<b>Total 43900 · Investment Income</b>	<b>44,682.68</b>
48000 · Miscellaneous Revenue	0.05
<b>Total Income</b>	<b>194,185.31</b>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	
50100 · Cost of Goods-NSK	59,528.25
<b>Total 50000 · Cost of Goods Sold</b>	<b>59,528.25</b>
<b>Total COGS</b>	<b>59,528.25</b>
<b>Gross Profit</b>	<b>134,657.06</b>
<b>Expense</b>	
<b>60000 · EXPENSES</b>	
61000 · General Expenses	
61110 · Utilities,	19,064.98
61120 · Phone & Internet	4,094.47
61130 · Correspondence & Postage	708.64
61200 · Food	11,125.02
61250 · Dining	981.87
61300 · Clothing	1,320.95
61400 · Household Items	1,800.84
61500 · Hygiene	856.94
61600 · Entertainment	3,577.67
61700 · Books & Magazines	1,425.66
61800 · Travel	1,439.00
61900 · Gifts/Donations	2,115.21
61950 · Gifts - NSK Products	1,410.58

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 Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2013

	Jan - Dec 13
Total 61000 · General Expenses	49,921.83
62000 · Gift Shop Expenses	
62100 · Allocated Labor - NSM-Gift Shop	2,979.63
Total 62000 · Gift Shop Expenses	2,979.63
63000 · Purchased Services	
63100 · Education	177.00
63200 · Retreats, Conferences & Seminars	4,236.13
63300 · Medical	2,740.99
63310 · Medical-RX	130.50
63320 · Medical-OC	1,458.75
63350 · Medical Insurance	1,285.12
Total 63000 · Purchased Services	10,028.49
64000 · Vehicle Expenses	
64100 · Gasoline	3,043.40
64200 · Vehicle Maint/Srvc/Reg	2,934.44
Total 64000 · Vehicle Expenses	5,977.84
65000 · House Maintenance	
65010 · Allocated Labor-NSM -Cleaning	4,839.31
65100 · Labor by NSK Staff	
65102 · House Labor - Carey	323.16
Total 65100 · Labor by NSK Staff	323.16
65200 · Cleaning Supplies	782.43
65500 · Repairs & Maintenance Service	1,705.09
65600 · Water Treatment Supplies & Mnt	301.62
Total 65000 · House Maintenance	7,951.61
66000 · Pets	
66100 · Bird Supplies	384.48
66200 · Dog Supplies	524.87
66700 · Veterinarian	688.68
Total 66000 · Pets	1,598.03
67000 · Grounds Maintenance	
67010 · Allocated Labor - NSM -Maint.	6,266.15
67200 · Yard Maintenance	3,607.89
67300 · Gardens Expense	931.55
67400 · Swimming Pool Maintenance	1,409.68
67600 · Road Maintenance	9,379.15
Total 67000 · Grounds Maintenance	21,594.42
70000 · Activity Expenses	
72000 · Guest Room Expenses	415.51
78000 · Ecclesiatical/Confraternity Exp	
78200 · Ceremonial Items	
78250 · Candles-Holy Wisdom	2,327.49
Total 78200 · Ceremonial Items	2,327.49
78400 · Choir & Music	310.30
Total 78000 · Ecclesiatical/Confraternity Exp	2,637.79
79000 · Other Activity Expenses	1,000.00
Total 70000 · Activity Expenses	4,053.30
90000 · Admin & Government	
91000 · Administrative Expenses	
91100 · Allocated Labor Expense	
91120 · Admin Labor - Accnting / IT	9,000.00
Total 91100 · Allocated Labor Expense	9,000.00
Total 91000 · Administrative Expenses	9,000.00



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**Nuns of New Skete - Operations**  
**Profit & Loss**  
January through December 2013

	<u>Jan - Dec 13</u>
91500 · Insurance	
91510 · Insurance - House Liability	5,294.00
91520 · Insurance - Kitchens Liability	1,402.00
91530 · Insurance - Buildings	4,560.00
91550 · Insurance - Vehicle	5,144.59
<b>Total 91500 · Insurance</b>	<b>16,400.59</b>
92000 · Office Supplies	2,174.08
92500 · Copier Lease	88.04
94000 · Computers & Support	251.33
95000 · Printing Services	238.97
98000 · Taxes, Licenses, Fees	
98400 · Bank Fees	459.40
98500 · Credit Card Interest & Fees	1,356.52
98600 · Investment fees	1,182.86
<b>Total 98000 · Taxes, Licenses, Fees</b>	<b>2,998.78</b>
99000 · Miscellaneous Expenses	10.00
<b>Total 90000 · Admin &amp; Government</b>	<b>31,161.79</b>
<b>Total 60000 · EXPENSES</b>	<b>135,266.94</b>
<b>Total Expense</b>	<b>135,266.94</b>
<b>Net Income</b>	<b>-609.88</b>

Nuns of New Skete - Operations  
**Balance Sheet**  
 As of December 31, 2014

	Dec 31, 14
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
10100 · Cash Accounts	
10110 · Checking Acct 27041351	9,969.56
10170 · Cash on Hand	3,506.40
10180 · Petty Cash	162.04
10190 · Undeposited Funds	-1,312.09
<b>Total 10100 · Cash Accounts</b>	<b>12,325.91</b>
<b>Total Checking/Savings</b>	<b>12,325.91</b>
Accounts Receivable	
10200 · Accounts Receivable	
10215 · Accounts Receivable-NSK Fac Chg	
10216 · A/R - NSK Fac Chg- Cash	-11,294.28
10217 · A/R - NSK Fac Chg- P/R House	-31,517.73
10218 · A/R - NSK Fac Chg- P/R - Advcmnt	-16,149.10
10215 · Accounts Receivable-NSK Fac Chg - Other	68,051.47
<b>Total 10215 · Accounts Receivable-NSK Fac Chg</b>	<b>9,090.36</b>
<b>Total 10200 · Accounts Receivable</b>	<b>9,090.36</b>
<b>Total Accounts Receivable</b>	<b>9,090.36</b>
Other Current Assets	
11000 · Interfunds	
11100 · Due To/From Kitchens	13,088.65
<b>Total 11000 · Interfunds</b>	<b>13,088.65</b>
11900 · In-House	
11920 · Other Advances	-298.46
<b>Total 11900 · In-House</b>	<b>-298.46</b>
<b>Total Other Current Assets</b>	<b>12,790.19</b>
<b>Total Current Assets</b>	<b>34,206.46</b>
<b>Fixed Assets</b>	
15000 · Fixed Assets	
15100 · Vehicles	
15010 · Vehicle-Nissan	15,691.98
15101 · Accum Deprec - Vehicles	-30,000.00
15100 · Vehicles - Other	60,000.00
<b>Total 15100 · Vehicles</b>	<b>45,691.98</b>
15200 · Furniture & Fixtures	
15201 · Accum Deprec - Furn & Fixtrs	-50,000.00
15200 · Furniture & Fixtures - Other	50,000.00
<b>Total 15200 · Furniture &amp; Fixtures</b>	<b>0.00</b>
15300 · Buildings	
15301 · Accum Deprec - Buildings	-1,000,000.00
15300 · Buildings - Other	1,000,000.00
<b>Total 15300 · Buildings</b>	<b>0.00</b>
15400 · Improvements	
15401 · Accum Deprec - Improvements	525.00
15410 · Fulfillment Center	10,203.15
15420 · Office	4,251.84
15430 · Break Room	1,763.10
15440 · Voice/Data infrastructure Equip	7,000.00
<b>Total 15400 · Improvements</b>	<b>23,743.09</b>
15500 · Major Equipment	
15502 · Gas boiler & water heater	13,350.00

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 Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
 As of December 31, 2014

	Dec 31, 14
15503 · Generator-2014	1,830.00
15504 · Tractor - Yard - 2014	1,719.98
<b>Total 15500 · Major Equipment</b>	<b>16,899.98</b>
<b>15800 · Business Assets</b>	
15810 · Kitchen Facilities	
15811 · Accum Deprec - Kitch Fac	-500,000.00
15810 · Kitchen Facilities - Other	504,036.00
<b>Total 15810 · Kitchen Facilities</b>	<b>4,036.00</b>
<b>Total 15800 · Business Assets</b>	<b>4,036.00</b>
15000 · Fixed Assets - Other	29,482.02
<b>Total 15000 · Fixed Assets</b>	<b>119,853.07</b>
16000 · Land	500,000.00
<b>Total Fixed Assets</b>	<b>619,853.07</b>
<b>Other Assets</b>	
12000 · Other Assets	
12100 · Investments	
12120 · Merrill Lynch	120,789.70
12150 · LCBA	72,138.60
12160 · Key Holding Investments	
12162 · Key Investment Account	97,061.17
12160 · Key Holding Investments - Other	487.12
<b>Total 12160 · Key Holding Investments</b>	<b>97,548.29</b>
12190 · Exxon Mobil	7,060.63
<b>Total 12100 · Investments</b>	<b>297,537.22</b>
12500 · Loans to Kitchens	
12530 · General	77,590.20
<b>Total 12500 · Loans to Kitchens</b>	<b>77,590.20</b>
12800 · Other Loans	-1,962.50
<b>Total 12000 · Other Assets</b>	<b>373,164.92</b>
<b>Total Other Assets</b>	<b>373,164.92</b>
<b>TOTAL ASSETS</b>	<b>1,027,224.45</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
20200 · Accounts Payable	2,279.65
<b>Total Accounts Payable</b>	<b>2,279.65</b>
<b>Other Current Liabilities</b>	
20300 · Sales Tax Payable	640.67
20900 · Exchange	-14,237.90
<b>Total Other Current Liabilities</b>	<b>-13,597.23</b>
<b>Total Current Liabilities</b>	<b>-11,317.58</b>
<b>Total Liabilities</b>	<b>-11,317.58</b>
<b>Equity</b>	
31000 · General Fund Balance	564,080.73
32001 · Unrestricted Net Assets	-82,161.32
39000 · Fund Balance - Capital Assets	530,000.00
Net Income	26,622.62
<b>Total Equity</b>	<b>1,038,542.03</b>

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Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
As of December 31, 2014

	Dec 31, 14
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,027,224.45</b>

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2014

Jan - Dec 14

<b>Income</b>	
<b>40000 · REVENUE</b>	
<b>41000 · Donations</b>	
41100 · General Donations	42,495.71
41300 · Restricted Donations	2,930.00
41600 · Guests	5,498.09
41000 · Donations - Other	100.00
<b>Total 41000 · Donations</b>	<b>51,023.80</b>
<b>43000 · Community Income</b>	
43100 · Social Security	10,501.00
43200 · SSI	18,730.08
43300 · Ssp	276.00
43800 · Other Community Income	7,250.66
43000 · Community Income - Other	917.00
<b>Total 43000 · Community Income</b>	<b>37,674.74</b>
<b>44000 · Activity Revenue</b>	
44200 · Retreats	1,160.00
44300 · Spiritual Direction	2,055.00
44800 · Other Activities	494.81
<b>Total 44000 · Activity Revenue</b>	<b>3,709.81</b>
<b>46000 · Business Revenue</b>	
<b>46200 · Liturgy &amp; Arts</b>	
46210 · Gift Shop Sales	3,900.00
46250 · Icon Sales	100.00
<b>Total 46200 · Liturgy &amp; Arts</b>	<b>4,000.00</b>
46300 · Gift Shop - NSK Products	77,894.47
<b>Total 46000 · Business Revenue</b>	<b>81,894.47</b>
40000 · REVENUE - Other	200.00
<b>Total 40000 · REVENUE</b>	<b>174,502.82</b>
<b>43900 · Investment Income</b>	
43910 · Interest income	3,897.53
43920 · Dividend reinvested	5,847.33
43930 · Capital Gain/<Loss>	13,943.48
43940 · Dividend income	352.00
<b>Total 43900 · Investment Income</b>	<b>24,040.34</b>
48000 · Miscellaneous Revenue	474.80
<b>Total Income</b>	<b>199,017.96</b>
<b>Cost of Goods Sold</b>	
<b>50000 · Cost of Goods Sold</b>	
50100 · Cost of Goods-NSK	47,408.66
<b>Total 50000 · Cost of Goods Sold</b>	<b>47,408.66</b>
<b>Total COGS</b>	<b>47,408.66</b>
<b>Gross Profit</b>	<b>151,609.30</b>
<b>Expense</b>	
<b>60000 · EXPENSES</b>	
<b>61000 · General Expenses</b>	
<b>61110 · Utilities,</b>	
61112 · Oil	9,969.98
61113 · Propane Gas	2,724.14
61114 · Electricity	5,031.62
61115 · generator-propane gas	111.55
<b>Total 61110 · Utilities,</b>	<b>17,837.29</b>
61120 · Phone & Internet	3,848.41
61130 · Correspondence & Postage	676.76

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2014

	Jan - Dec 14
61200 · Food	16,581.43
61250 · Dining	1,204.58
61300 · Clothing	1,268.47
61400 · Household Items	1,597.23
61500 · Hygiene	1,847.24
61600 · Entertainment	4,323.56
61700 · Books & Magazines	1,349.61
61800 · Travel	737.47
61900 · Gifts/Donations	2,953.50
61950 · Gifts - NSK Products	1,089.80
61000 · General Expenses - Other	2,627.33
<b>Total 61000 · General Expenses</b>	<b>57,942.68</b>
62000 · Gift Shop Expenses	
62100 · Allocated Labor - NSM-Gift Shop	2,964.00
62000 · Gift Shop Expenses - Other	71.97
<b>Total 62000 · Gift Shop Expenses</b>	<b>3,035.97</b>
63000 · Purchased Services	
63100 · Education	174.07
63200 · Retreats, Conferences & Seminars	990.00
63300 · Medical	1,065.79
63310 · Medical-RX	129.07
63320 · Medical-OC	1,826.24
63350 · Medical Insurance	1,551.00
63400 · Legal	130.00
<b>Total 63000 · Purchased Services</b>	<b>5,866.17</b>
64000 · Vehicle Expenses	
64100 · Gasoline	2,654.53
64200 · Vehicle Maint/Srvc/Reg	595.96
<b>Total 64000 · Vehicle Expenses</b>	<b>3,250.49</b>
65000 · House Maintenance	
65010 · Allocated Labor-NSM -Cleaning	6,637.37
65200 · Cleaning Supplies	88.45
65300 · Cleaning Equipment	1,468.20
65400 · Maintenance Supplies	753.81
65500 · Repairs & Maintenance Service	7,932.13
65600 · Water Treatment Supplies & Mnt	753.77
65000 · House Maintenance - Other	373.14
<b>Total 65000 · House Maintenance</b>	<b>18,006.87</b>
66000 · Pets	
66100 · Bird Supplies	266.67
66200 · Dog Supplies	168.32
<b>Total 66000 · Pets</b>	<b>434.99</b>
67000 · Grounds Maintenance	
67010 · Allocated Labor - NSM -Maint.	3,106.76
67200 · Yard Maintenance	3,139.97
67300 · Gardens Expense	514.19
67400 · Swimming Pool Maintenance	700.35
67600 · Road Maintenance	3,225.50
<b>Total 67000 · Grounds Maintenance</b>	<b>10,686.77</b>
70000 · Activity Expenses	
78000 · Ecclesiastical/Confraternity Exp	
78200 · Ceremonial Items	
78225 Music	69.76
78250 · Candles-Holy Wisdom	1,516.47
<b>Total 78200 · Ceremonial Items</b>	<b>1,586.23</b>
78400 · Choir & Music	5.00
78900 · Other Eccl/Confr Exp	38.00
	<b>38.00</b>

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2014

	Jan - Dec 14
Total 78000 · Ecclesiatical/Confraternity Exp	1,629.23
Total 70000 · Activity Expenses	1,629.23
90000 · Admin & Government	
91000 · Administrative Expenses	
91100 · Allocated Labor Expense	
91120 · Admin Labor - Accnting / IT	3,880.99
91190 · Payroll Taxes-Allocated Labor	348.00
Total 91100 · Allocated Labor Expense	4,228.99
91000 · Administrative Expenses - Other	97.36
Total 91000 · Administrative Expenses	4,326.35
91500 · Insurance	
91510 · Insurance - House Liability	3,915.59
91550 · Insurance - Vehicle	4,540.41
Total 91500 · Insurance	8,456.00
92000 · Office Supplies	-976.99
92500 · Copier Lease	1,022.85
94000 · Computers & Support	7,888.35
98000 · Taxes, Licenses, Fees	
98400 · Bank Fees	15.00
98500 · Credit Card Interest & Fees	1,901.95
98600 · Investment fees	1,500.00
Total 98000 · Taxes, Licenses, Fees	3,416.95
Total 90000 · Admin & Government	24,133.51
Total 60000 · EXPENSES	124,986.68
Total Expense	124,986.68
Net Income	26,622.62

**HOLY MYRRIBEARERS  
MONASTERY  
FINANCIAL STATEMENTS**

1. Balance Sheet as of December 31, 2012 and Profit and Loss Statement for the year ended December 31, 2012
2. Balance Sheet as of December 31, 2013 and Profit and Loss Statement for the year ended December 31, 2013
3. Balance Sheet as of December 31, 2014 and Profit and Loss Statement for the year ended December 31, 2014
4. Balance Sheet as of May 9, 2015 and Profit and Loss Statement for the period ended May 9, 2015



Holy Myrrhbearers Monastery

Balance Sheet

As of January 1, 2012

05/10/15

Accrual Basis

Jan 1, 12

**ASSETS**

**Current Assets**

**Checking/Savings**

checking	2,292.54
regular savings	2,884.37
special savings	17,838.15
- Petty Cash	160.64
* House Checking Account	365.94

**Total Checking/Savings** 23,541.64

**Accounts Receivable**

11100 · Allowance for Doubtful Accounts	1,134.86
11400 · Grants Receivable	
11401 · Reimbursements	-13.80

**Total 11400 · Grants Receivable** -13.80

**Total Accounts Receivable**

1,121.06

**Other Current Assets**

12000 · Undeposited Funds	8,298.70
12100 · Inventory Asset	
12101 · Books Published by Monastery	1,413.00
12102 · Purchased Books	370.00
12103 · Card Inventory	80,014.75
12104 · Farm Products	4,170.00
12106 · Palestinian Products	2,562.00
12100 · Inventory Asset - Other	465,876.15

**Total 12100 · Inventory Asset** 554,405.90

13000 · Prepaid Expenses	118.47
13500 · Supplies Inventory	
13501 · Farm Equipment	5,012.81
13502 · Yard & Garden Equipment	999.00
13500 · Supplies Inventory - Other	256.73

**Total 13500 · Supplies Inventory** 6,268.54

**Total Other Current Assets**

569,091.61

**Total Current Assets**

593,754.31

**Fixed Assets**

**15000 · Furniture and Equipment**

**15100 · Buildings - Operating**

15101 · Main Monastery	370,577.70
15103 · Guest House ("Millhouse")	41,800.00
15104 · Main Barn	32,374.12
15105 · Buck Barn	9,664.63
15106 · Ox Shed	689.96
15107 · POUSTINIA	15,106.40
15110 · Monastery Chapel	
15111 · Bells & Bell Tower	9,035.00
15112 · Chapel Furniture, Icons etc.	-4,000.00
15110 · Monastery Chapel - Other	5,450.00

**Total 15110 · Monastery Chapel** 10,485.00

15114 · Baptist Church	10,134.82
15100 · Buildings - Operating - Other	800.00

**Total 15100 · Buildings - Operating** 491,632.63

**15500 · Facility Construction** 190.00

## Holy Myrrhbearers Monastery

05/10/15

## Balance Sheet

Accrual Basis

As of January 1, 2012

	Jan 1, 12
15700 · Land - Operating	
15701 · Main Monastery Property	71,362.50
15702 · Millhouse Property	1,500.00
<b>Total 15700 · Land - Operating</b>	<b>72,862.50</b>
15900 · Leasehold Improvements	2,000.00
16400 · Vehicles	23,060.90
17100 · Accum Depr - Furn and Equip	6,907.19
17400 · Accum Depr - Vehicles	
17401 · Farm Vehicles and Equipment	6,368.00
17400 · Accum Depr - Vehicles - Other	35,412.75
<b>Total 17400 · Accum Depr - Vehicles</b>	<b>41,780.75</b>
<b>Total Fixed Assets</b>	<b>644,696.40</b>
<b>Other Assets</b>	
18000 · Marketable Securities	31,349.12
18100 · Land and Buildings - Investment	4,190.00
18300 · Other Investments	10,000.00
18600 · Other Assets	
18601 · Zoar Farms Livestock	5,376.16
<b>Total 18600 · Other Assets</b>	<b>5,376.16</b>
18800 · Restricted Contributions	318,000.00
<b>Total Other Assets</b>	<b>368,915.28</b>
<b>TOTAL ASSETS</b>	<b>1,607,365.99</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Long Term Liabilities</b>	
27100 · Notes, Mortgages, and Leases	
27101 · RBO Note	-339.10
27100 · Notes, Mortgages, and Leases - Other	-276.06
<b>Total 27100 · Notes, Mortgages, and Leases</b>	<b>-615.16</b>
27200 · Other Liabilities	-9,693.87
27300 · Refundable Deposits Payable	
27301 · Postulant Trust Holding	
27302 · Due To Debra Hile	10,000.00
27301 · Postulant Trust Holding - Other	-26,391.30
<b>Total 27301 · Postulant Trust Holding</b>	<b>-16,391.30</b>
<b>Total 27300 · Refundable Deposits Payable</b>	<b>-16,391.30</b>
<b>Total Long Term Liabilities</b>	<b>-26,700.33</b>
<b>Total Liabilities</b>	<b>-26,700.33</b>
<b>Equity</b>	
30000 · Opening Bal Equity	1,127,195.32
31500 · Temp. Restricted Net Assets	
33100 · Due to Sr. Deborah	318,000.00
<b>Total 31500 · Temp. Restricted Net Assets</b>	<b>318,000.00</b>
32000 · Unrestricted Net Assets	189,811.05
Net Income	-940.05
<b>Total Equity</b>	<b>1,634,066.32</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,607,365.99</b>

Holy Myrrhbearers Monastery

05/10/15

Profit & Loss

Accrual Basis

January through December 2012

	Jan - Dec 12
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>43400 · Direct Public Support</b>	
43450 · Individ, Business Contributions	
43451 · Earmarked Donations	
43452 · Banquet tickets	2,175.00
43453 · Commemoration Book	4,065.00
43451 · Earmarked Donations - Other	2,042.91
<b>Total 43451 · Earmarked Donations</b>	<b>8,282.91</b>
43450 · Individ, Business Contributions - Other	158,627.53
<b>Total 43450 · Individ, Business Contributions</b>	<b>166,910.44</b>
<b>Total 43400 · Direct Public Support</b>	<b>166,910.44</b>
<b>45000 · Investments</b>	
45020 · Dividend, Interest (Securities)	18.42
45000 · Investments - Other	10,000.00
<b>Total 45000 · Investments</b>	<b>10,018.42</b>
<b>46400 · Other Types of Income</b>	
46410 · Retreat or Talk Honoraria	200.00
46412 · Miscellaneous Services	100.00
46420 · Inventory Sales	
46421 · Sale of Monastery Books	5,311.39
46422 · Sale of Purchased Books	696.70
46423 · Sale of Cards	3,515.00
46424 · Sale of Farm Products	5,344.70
46426 · Sale of Palestinian Products	1,365.50
46427 · Various Consigned Items	80.00
46420 · Inventory Sales - Other	60.00
<b>Total 46420 · Inventory Sales</b>	<b>16,373.29</b>
46430 · Craftwork Commissions	40.00
46430* · Miscellaneous Revenue	
46441 · Reimbursements	1,849.09
46430* · Miscellaneous Revenue - Other	2,520.18
<b>Total 46430* · Miscellaneous Revenue</b>	<b>4,369.27</b>
<b>Total 46400 · Other Types of Income</b>	<b>21,082.56</b>
<b>Total Income</b>	<b>198,011.42</b>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	2,591.70
50700 · Cost of Sales - Inventory Sales	
50701 · Book Publishing	360.00
50702 · Book Purchases	1,304.21
50703 · Cost of Card Publication	8.95
50704 · Farm Product Preparation	1,981.97
50706 · Palestinian Product Purchase	1,139.00
50700 · Cost of Sales - Inventory Sales - Other	0.00
<b>Total 50700 · Cost of Sales - Inventory Sales</b>	<b>4,794.13</b>
<b>Total COGS</b>	<b>7,385.83</b>
<b>Gross Profit</b>	<b>190,625.59</b>
<b>Expense</b>	
60900 · Business Expenses	
60920 · Business Registration Fees	125.00

## Holy Myrrhbearers Monastery

## Profit &amp; Loss

January through December 2012

05/10/15

Accrual Basis

	Jan - Dec 12
60950 · UBITaxes	
60951 · Sales Tax Collected	1.98
<b>Total 60950 · UBITaxes</b>	<b>1.98</b>
<b>Total 60900 · Business Expenses</b>	<b>126.98</b>
62100 · Contract Services	
62150 · Outside Contract Services	410.56
62160 · Credit Card & Bank Fees	422.13
<b>Total 62100 · Contract Services</b>	<b>832.69</b>
62800 · Facilities and Equipment	
62820 · Grounds & Landscaping	3,318.63
62840 · Equip Rental and Maintenance	3,336.91
62841 · Household Equipment	5,053.81
62870 · Property Insurance	1,617.18
62880 · Real Estate, Personal Prop Tax	6,045.86
62890 · Utilities, Fuel & Electric Co	15,647.71
62800 · Facilities and Equipment - Other	425.00
<b>Total 62800 · Facilities and Equipment</b>	<b>35,445.10</b>
65000 · Operations	
65010 · Books, Subscriptions, Reference	
65011 · Library	597.43
65010 · Books, Subscriptions, Reference - Other	222.59
<b>Total 65010 · Books, Subscriptions, Reference</b>	<b>820.02</b>
65020 · Postage, Mailing Service	7,014.04
65030 · Printing and Copying	9,107.15
65040 · Supplies	114.09
65050 · Telephone, Telecommunications	2,143.87
65060 · Computers and Internet	
65061 · Credit Card Processing	1,849.16
65060 · Computers and Internet - Other	5,013.06
<b>Total 65060 · Computers and Internet</b>	<b>6,862.22</b>
65070 · Customer Refunds	44.61
<b>Total 65000 · Operations</b>	<b>26,106.00</b>
65100 · Other Types of Expenses	
65110 · Advertising Expenses	
65111 · In-house Fundraising	40.00
<b>Total 65110 · Advertising Expenses</b>	<b>40.00</b>
65120 · Insurance - Liability, D and O	
65121 · Life Insurance	1,368.32
65120 · Insurance - Liability, D and O - Other	2,756.72
<b>Total 65120 · Insurance - Liability, D and O</b>	<b>4,125.04</b>
65130 · Income Taxes	1,479.60
65150 · Memberships and Dues	319.00
65151 · Church Obligations & Charity	3,609.05
65161 · Chapel Expenses	15,495.99
65163 · Misc. Late Fees	18.75
<b>Total 65100 · Other Types of Expenses</b>	<b>25,087.43</b>
66000 · Payroll Expenses	0.00
66900 · Reconciliation Discrepancies	200.00

## Holy Myrrhbearers Monastery

## Profit &amp; Loss

January through December 2012

05/10/15

Accrual Basis

	Jan - Dec 12
<b>67000 · Monastic Household</b>	
67001 · General Maintenance & Upkeep	17,437.43
67002 · Food and Groceries	13,008.97
67003 · Shoes and Clothing	819.04
67004 · Health Care	16,554.38
67005 · Pet Food and Upkeep	2,247.22
67006 · Vehicle Insurance	3,499.50
67007 · Vehicle Gas & Maintenance	5,222.83
67009 · Personal	1,240.19
67011 · Kitchen Garden	1,548.66
67013 · Vehicle payments	5,192.20
<b>Total 67000 · Monastic Household</b>	<b>66,770.42</b>
<b>67200 · Guest Ministry &amp; Hospitality</b>	
67201 · Guest House Phone Utilities etc	1,096.26
67200 · Guest Ministry & Hospitality - Other	677.62
<b>Total 67200 · Guest Ministry &amp; Hospitality</b>	<b>1,773.88</b>
<b>67500 · Zoar Farms</b>	
67501 · Livestock Feed	14,211.64
67502 · Routine Farm Maintenance	1,131.83
67503 · Livestock Vet Care & Meds	3,703.16
67504 · Farm Equipment	366.79
67505 · Memberships & Subscriptions	381.77
67506 · Barn Maintenance & Renovation	5,660.56
67507 · Farm Vehicle Gas & Maintenance	4,830.53
67508 · Pastures & Fencing	462.50
67509 · Animal Pedigree Registration	43.50
67510 · Dairy Supplies	832.62
67512 · Livestock Purchase	1,146.80
67500 · Zoar Farms - Other	4,468.65
<b>Total 67500 · Zoar Farms</b>	<b>37,240.35</b>
<b>68300 · Travel and Meetings</b>	
68310 · Conference, Convention, Meeting	1,500.00
68320 · Travel	2,670.15
<b>Total 68300 · Travel and Meetings</b>	<b>4,170.15</b>
<b>Total Expense</b>	<b>197,753.00</b>
<b>Net Ordinary Income</b>	<b>-7,127.41</b>
<b>Other Income/Expense</b>	
Other Expense	
80200 · Payments to Affiliates	3,365.47
<b>Total Other Expense</b>	<b>3,365.47</b>
<b>Net Other Income</b>	<b>-3,365.47</b>
<b>Net Income</b>	<b>-10,492.88</b>

Holy Myrrhbearers Monastery

Balance Sheet

As of January 1, 2013

05/10/15

Accrual Basis

Jan 1, 13

**ASSETS**

<b>Current Assets</b>	
<b>Checking/Savings</b>	
checking	2,769.10
regular savings	3,131.68
special savings	7,210.78
- Petty Cash	133.79
* House Checking Account	3,142.45
<b>Total Checking/Savings</b>	<b>16,387.80</b>
<b>Accounts Receivable</b>	
11100 · Allowance for Doubtful Accounts	1,469.36
11400 · Grants Receivable	
11401 · Reimbursements	-13.80
<b>Total 11400 · Grants Receivable</b>	<b>-13.80</b>
<b>Total Accounts Receivable</b>	<b>1,455.56</b>
<b>Other Current Assets</b>	
12000 · Undeposited Funds	7,198.12
12100 · Inventory Asset	
12101 · Books Published by Monastery	1,413.00
12102 · Purchased Books	370.00
12103 · Card Inventory	80,014.75
12104 · Farm Products	4,170.00
12106 · Palestinian Products	2,562.00
12100 · Inventory Asset - Other	463,391.70
<b>Total 12100 · Inventory Asset</b>	<b>551,921.45</b>
13000 · Prepaid Expenses	118.47
13500 · Supplies Inventory	
13501 · Farm Equipment	5,012.81
13502 · Yard & Garden Equipment	999.00
13500 · Supplies Inventory - Other	256.73
<b>Total 13500 · Supplies Inventory</b>	<b>6,268.54</b>
<b>Total Other Current Assets</b>	<b>565,506.58</b>
<b>Total Current Assets</b>	<b>583,349.94</b>
<b>Fixed Assets</b>	
15000 · Furniture and Equipment	6,262.43
15100 · Buildings - Operating	
15101 · Main Monastery	371,025.21
15103 · Guest House ("Millhouse")	41,800.00
15104 · Main Barn	32,374.12
15105 · Buck Barn	9,664.63
15106 · Ox Shed	689.96
15107 · POUSTINIA	15,106.40
15110 · Monastery Chapel	
15111 · Bells & Bell Tower	9,035.00
15112 · Chapel Furniture, Icons etc.	-4,000.00
15110 · Monastery Chapel - Other	5,450.00
<b>Total 15110 · Monastery Chapel</b>	<b>10,485.00</b>
15114 · Baptist Church	10,871.35
15100 · Buildings - Operating - Other	800.00
<b>Total 15100 · Buildings - Operating</b>	<b>492,816.67</b>
15500 · Facility Construction	190.00

## Holy Myrrhbearers Monastery

## Balance Sheet

As of January 1, 2013

	Jan 1, 13
15700 · Land - Operating	
15701 · Main Monastery Property	71,362.50
15702 · Millhouse Property	1,500.00
<b>Total 15700 · Land - Operating</b>	<b>72,862.50</b>
15900 · Leasehold Improvements	2,000.00
16400 · Vehicles	23,060.90
17100 · Accum Depr - Furn and Equip	6,907.19
17400 · Accum Depr - Vehicles	
17401 · Farm Vehicles and Equipment	6,368.00
17400 · Accum Depr - Vehicles - Other	35,412.75
<b>Total 17400 · Accum Depr - Vehicles</b>	<b>41,780.75</b>
<b>Total Fixed Assets</b>	<b>645,880.44</b>
<b>Other Assets</b>	
18000 · Marketable Securities	31,349.12
18100 · Land and Buildings - Investment	4,190.00
18300 · Other Investments	10,000.00
18600 · Other Assets	
18601 · Zoar Farms Livestock	5,376.16
<b>Total 18600 · Other Assets</b>	<b>5,376.16</b>
18800 · Restricted Contributions	318,000.00
<b>Total Other Assets</b>	<b>368,915.28</b>
<b>TOTAL ASSETS</b>	<b>1,598,145.66</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Long Term Liabilities</b>	
27100 · Notes, Mortgages, and Leases	
27101 · RBO Note	-339.10
27100 · Notes, Mortgages, and Leases - Other	-276.06
<b>Total 27100 · Notes, Mortgages, and Leases</b>	<b>-615.16</b>
27200 · Other Liabilities	-9,693.87
27300 · Refundable Deposits Payable	
27301 · Postulant Trust Holding	
27302 · Due To Debra Hile	10,000.00
27301 · Postulant Trust Holding - Other	-26,391.30
<b>Total 27301 · Postulant Trust Holding</b>	<b>-16,391.30</b>
<b>Total 27300 · Refundable Deposits Payable</b>	<b>-16,391.30</b>
<b>Total Long Term Liabilities</b>	<b>-26,700.33</b>
<b>Total Liabilities</b>	<b>-26,700.33</b>
<b>Equity</b>	
30000 · Opening Bal Equity	1,127,945.32
31500 · Temp. Restricted Net Assets	
33100 · Due to Sr. Deborah	318,000.00
<b>Total 31500 · Temp. Restricted Net Assets</b>	<b>318,000.00</b>
32000 · Unrestricted Net Assets	179,318.17
Net Income	-417.50
<b>Total Equity</b>	<b>1,624,845.99</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,598,145.66</b>

# Holy Myrrhbearers Monastery

## Profit & Loss

### January through December 2013

	Jan - Dec 13
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
43400 · Direct Public Support	
43450 · Individ, Business Contributions	
43451 · Earmarked Donations	1,865.21
43450 · Individ, Business Contributions - Other	160,924.49
<b>Total 43450 · Individ, Business Contributions</b>	<b>162,789.70</b>
43400 · Direct Public Support - Other	0.00
<b>Total 43400 · Direct Public Support</b>	<b>162,789.70</b>
45000 · Investments	
45020 · Dividend, Interest (Securities)	1.50
<b>Total 45000 · Investments</b>	<b>1.50</b>
46400 · Other Types of Income	
46411 · Royalties for Books etc.	257.66
46420 · Inventory Sales	
46421 · Sale of Monastery Books	5,289.02
46422 · Sale of Purchased Books	624.95
46423 · Sale of Cards	3,824.80
46424 · Sale of Farm Products	12,283.82
46426 · Sale of Palestinian Products	1,012.50
46427 · Various Consigned Items	39.00
<b>Total 46420 · Inventory Sales</b>	<b>23,074.09</b>
46430* · Miscellaneous Revenue	4,393.04
46400 · Other Types of Income - Other	506.00
<b>Total 46400 · Other Types of Income</b>	<b>28,230.79</b>
48400 · Securities	28,000.00
<b>Total Income</b>	<b>219,021.99</b>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	1,795.40
50700 · Cost of Sales - Inventory Sales	
50701 · Book Publishing	0.00
50702 · Book Purchases	226.00
50703 · Cost of Card Publication	414.75
50704 · Farm Product Preparation	3,245.74
50706 · Palestinian Product Purchase	0.00
50700 · Cost of Sales - Inventory Sales - Other	0.00
<b>Total 50700 · Cost of Sales - Inventory Sales</b>	<b>3,886.49</b>
<b>Total COGS</b>	<b>5,681.89</b>
<b>Gross Profit</b>	<b>213,340.10</b>
<b>Expense</b>	
60900 · Business Expenses	
60920 · Business Registration Fees	312.00
60950 · UBITaxes	
60951 · Sales Tax Collected	73.80
<b>Total 60950 · UBITaxes</b>	<b>73.80</b>
60900 · Business Expenses - Other	28,000.00
<b>Total 60900 · Business Expenses</b>	<b>28,385.80</b>



## Holy Myrrhbearers Monastery

## Profit &amp; Loss

January through December 2013

05/10/15

Accrual Basis

	Jan - Dec 13
62100 · Contract Services	
62150 · Outside Contract Services	431.94
62160 · Credit Card & Bank Fees	6,199.29
<b>Total 62100 · Contract Services</b>	<b>6,631.23</b>
62800 · Facilities and Equipment	
62815 · Building and Renovation	3,398.31
62820 · Grounds & Landscaping	1,395.44
62840 · Equip Rental and Maintenance	2,688.32
62841 · Household Equipment	949.67
62870 · Property Insurance	1,617.18
62880 · Real Estate, Personal Prop Tax	6,171.99
62890 · Utilities, Fuel & Electric Co	13,684.27
<b>Total 62800 · Facilities and Equipment</b>	<b>29,905.18</b>
65000 · Operations	
65010 · Books, Subscriptions, Reference	
65011 · Library	554.05
65010 · Books, Subscriptions, Reference - Other	332.11
<b>Total 65010 · Books, Subscriptions, Reference</b>	<b>886.16</b>
65020 · Postage, Mailing Service	3,551.84
65030 · Printing and Copying	3,747.73
65040 · Supplies	348.32
65050 · Telephone, Telecommunications	2,278.86
65060 · Computers and Internet	
65061 · Credit Card Processing	567.72
65060 · Computers and Internet - Other	3,713.26
<b>Total 65060 · Computers and Internet</b>	<b>4,280.98</b>
65070 · Customer Refunds	224.78
<b>Total 65000 · Operations</b>	<b>15,318.67</b>
65100 · Other Types of Expenses	
65110 · Advertising Expenses	
65112 · Marketing, Display Expenses etc	104.00
<b>Total 65110 · Advertising Expenses</b>	<b>104.00</b>
65120 · Insurance - Liability, D and O	
65121 · Life Insurance	1,368.32
65120 · Insurance - Liability, D and O - Other	3,453.55
<b>Total 65120 · Insurance - Liability, D and O</b>	<b>4,821.87</b>
65150 · Memberships and Dues	636.00
65151 · Church Obligations & Charity	5,151.50
65160 · Other Costs	74.40
65161 · Chapel Expenses	10,618.31
65163 · Misc. Late Fees	4.15
65100 · Other Types of Expenses - Other	-317,494.00
<b>Total 65100 · Other Types of Expenses</b>	<b>-296,083.77</b>
66000 · Payroll Expenses	84.60
66900 · Reconciliation Discrepancies	1,003.46

## Holy Myrrhbearers Monastery

## Profit &amp; Loss

January through December 2013

05/10/15

Accrual Basis

	Jan - Dec 13
<b>67000 · Monastic Household</b>	
67001 · General Maintenance & Upkeep	27,031.21
67002 · Food and Groceries	8,534.70
67003 · Shoes and Clothing	778.63
67004 · Health Care	9,073.04
67005 · Pet Food and Upkeep	1,943.78
67006 · Vehicle Insurance	1,848.50
67007 · Vehicle Gas & Maintenance	7,688.54
67009 · Personal	451.61
67011 · Kitchen Garden	2,209.08
67013 · Vehicle payments	6,093.40
67000 · Monastic Household - Other	2,002.10
<b>Total 67000 · Monastic Household</b>	<b>67,654.59</b>
<b>67200 · Guest Ministry &amp; Hospitality</b>	
67201 · Guest House Phone Utilities etc	2,623.16
67200 · Guest Ministry & Hospitality - Other	100.05
<b>Total 67200 · Guest Ministry &amp; Hospitality</b>	<b>2,723.21</b>
<b>67500 · Zoar Farms</b>	
67501 · Livestock Feed	10,588.85
67502 · Routine Farm Maintenance	1,336.26
67503 · Livestock Vet Care & Meds	2,716.91
67504 · Farm Equipment	71.04
67505 · Memberships & Subscriptions	292.05
67506 · Barn Maintenance & Renovation	312.02
67507 · Farm Vehicle Gas & Maintenance	6,865.62
67508 · Pastures & Fencing	169.99
67509 · Animal Pedigree Registration	60.00
67510 · Dairy Supplies	157.66
67512 · Livestock Purchase	370.00
67500 · Zoar Farms - Other	456.25
<b>Total 67500 · Zoar Farms</b>	<b>23,396.65</b>
<b>68300 · Travel and Meetings</b>	
68310 · Conference, Convention, Meeting	
68311 · Training Workshops	55.00
<b>Total 68310 · Conference, Convention, Meeting</b>	<b>55.00</b>
68320 · Travel	1,337.05
68300 · Travel and Meetings - Other	1.00
<b>Total 68300 · Travel and Meetings</b>	<b>1,393.05</b>
<b>69800 · Uncategorized Expenses</b>	
69801 · Uncollectable Debt	52.47
69800 · Uncategorized Expenses - Other	1,797.23
<b>Total 69800 · Uncategorized Expenses</b>	<b>1,849.70</b>
<b>Total Expense</b>	<b>-117,737.63</b>
<b>Net Ordinary Income</b>	<b>331,077.73</b>
<b>Net Income</b>	<b>331,077.73</b>

**Holy Myrrhbearers Monastery**  
**Balance Sheet**  
 As of December 31, 2014

	Dec 31, 14
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
checking	487.37
regular savings	20,460.02
special savings	1,601.57
- Petty Cash	1.33
* House Checking Account	1,457.41
<b>Total Checking/Savings</b>	24,007.70
<b>Accounts Receivable</b>	
11100 · Allowance for Doubtful Accounts	1,021.21
11400 · Grants Receivable	
11401 · Reimbursements	-29.78
11400 · Grants Receivable - Other	-38.14
<b>Total 11400 · Grants Receivable</b>	-67.92
<b>Total Accounts Receivable</b>	953.29
<b>Other Current Assets</b>	
12000 · Undeposited Funds	2,801.02
12100 · Inventory Asset	
12101 · Books Published by Monastery	1,413.00
12102 · Purchased Books	370.00
12103 · Card Inventory	79,534.75
12104 · Farm Products	4,170.00
12106 · Palestinian Products	2,562.00
12100 · Inventory Asset - Other	460,231.30
<b>Total 12100 · Inventory Asset</b>	548,281.05
13000 · Prepaid Expenses	118.47
13500 · Supplies Inventory	
13501 · Farm Equipment	5,012.81
13502 · Yard & Garden Equipment	999.00
13500 · Supplies Inventory - Other	256.73
<b>Total 13500 · Supplies Inventory</b>	6,268.54
<b>Total Other Current Assets</b>	557,469.08
<b>Total Current Assets</b>	582,430.07
<b>Fixed Assets</b>	
15000 · Furniture and Equipment	6,262.43
15100 · Buildings - Operating	
15101 · Main Monastery	371,025.21
15103 · Guest House ("Millhouse")	43,752.73
15104 · Main Barn	32,374.12
15105 · Buck Barn	9,664.63
15106 · Ox Shed	689.96
15107 · POUSTINIA	15,106.40
15110 · Monastery Chapel	
15111 · Bells & Bell Tower	9,035.00
15112 · Chapel Furniture, Icons etc.	-4,000.00
15110 · Monastery Chapel - Other	5,450.00
<b>Total 15110 · Monastery Chapel</b>	10,485.00
15114 · Baptist Church	10,871.35
15100 · Buildings - Operating - Other	800.00
<b>Total 15100 · Buildings - Operating</b>	494,769.40
15500 · Facility Construction	190.00

## Holy Myrrhbearers Monastery

## Balance Sheet

As of December 31, 2014

05/09/15

Accrual Basis

	Dec 31, 14
15700 · Land - Operating	
15701 · Main Monastery Property	71,812.50
15702 · Millhouse Property	3,201.92
<b>Total 15700 · Land - Operating</b>	<b>75,014.42</b>
15900 · Leasehold Improvements	2,000.00
16400 · Vehicles	23,060.90
17100 · Accum Depr - Furn and Equip	7,446.11
17400 · Accum Depr - Vehicles	
17401 · Farm Vehicles and Equipment	7,618.00
17400 · Accum Depr - Vehicles - Other	35,412.75
<b>Total 17400 · Accum Depr - Vehicles</b>	<b>43,030.75</b>
<b>Total Fixed Assets</b>	<b>651,774.01</b>
<b>Other Assets</b>	
18000 · Marketable Securities	61,963.85
18100 · Land and Buildings - Investment	4,190.00
18300 · Other Investments	10,000.00
18600 · Other Assets	
18601 · Zoar Farms Livestock	5,776.16
<b>Total 18600 · Other Assets</b>	<b>5,776.16</b>
18800 · Restricted Contributions	318,000.00
<b>Total Other Assets</b>	<b>399,930.01</b>
<b>TOTAL ASSETS</b>	<b>1,634,134.09</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Long Term Liabilities</b>	
27100 · Notes, Mortgages, and Leases	
27101 · RBO Note	-339.10
27100 · Notes, Mortgages, and Leases - Other	-276.06
<b>Total 27100 · Notes, Mortgages, and Leases</b>	<b>-615.16</b>
27200 · Other Liabilities	-9,693.87
27300 · Refundable Deposits Payable	
27301 · Postulant Trust Holding	
27302 · Due To Debra Hile	10,000.00
27301 · Postulant Trust Holding - Other	-26,391.30
<b>Total 27301 · Postulant Trust Holding</b>	<b>-16,391.30</b>
<b>Total 27300 · Refundable Deposits Payable</b>	<b>-16,391.30</b>
<b>Total Long Term Liabilities</b>	<b>-26,700.33</b>
<b>Total Liabilities</b>	<b>-26,700.33</b>
<b>Equity</b>	
30000 · Opening Bal Equity	1,133,076.37
32000 · Unrestricted Net Assets	510,395.90
Net Income	17,362.15
<b>Total Equity</b>	<b>1,660,834.42</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,634,134.09</b>



## Holy Myrrhbearers Monastery

05/09/15

## Profit &amp; Loss

Accrual Basis

January through December 2014

	Jan - Dec 14
<b>62100 · Contract Services</b>	
62150 · Outside Contract Services	420.00
62160 · Credit Card & Bank Fees	2,700.62
62165 · Audit Bank Fees	90.00
<b>Total 62100 · Contract Services</b>	<b>3,210.62</b>
<b>62800 · Facilities and Equipment</b>	
62815 · Building and Renovation	5,851.57
62820 · Grounds & Landscaping	2,018.57
62840 · Equip Rental and Maintenance	2,744.95
62841 · Household Equipment	886.49
62870 · Property Insurance	8,738.64
62880 · Real Estate, Personal Prop Tax	6,222.56
62890 · Utilities, Fuel & Electric Co	11,952.91
<b>Total 62800 · Facilities and Equipment</b>	<b>38,415.69</b>
<b>65000 · Operations</b>	
65010 · Books, Subscriptions, Reference	
65011 · Library	1,256.95
65010 · Books, Subscriptions, Reference - Other	50.64
<b>Total 65010 · Books, Subscriptions, Reference</b>	<b>1,307.59</b>
65020 · Postage, Mailing Service	3,379.29
65030 · Printing and Copying	2,882.97
65040 · Supplies	423.24
65050 · Telephone, Telecommunications	1,976.99
65060 · Computers and Internet	8,003.43
65070 · Customer Refunds	30.70
<b>Total 65000 · Operations</b>	<b>18,004.21</b>
<b>65100 · Other Types of Expenses</b>	
65110 · Advertising Expenses	
65112 · Marketing, Display Expenses etc	590.75
65110 · Advertising Expenses - Other	45.00
<b>Total 65110 · Advertising Expenses</b>	<b>635.75</b>
65120 · Insurance - Liability, D and O	
65121 · Life Insurance	1,368.32
65120 · Insurance - Liability, D and O - Other	1,797.90
<b>Total 65120 · Insurance - Liability, D and O</b>	<b>3,166.22</b>
65150 · Memberships and Dues	525.00
65151 · Church Obligations & Charity	10,635.00
65160 · Other Costs	86.76
65161 · Chapel Expenses	3,977.50
<b>Total 65100 · Other Types of Expenses</b>	<b>19,026.23</b>
<b>67000 · Monastic Household</b>	
67001 · General Maintenance & Upkeep	12,663.37
67002 · Food and Groceries	8,115.74
67003 · Shoes and Clothing	497.16
67004 · Health Care	11,139.67
67005 · Pet Food and Upkeep	1,883.64
67007 · Vehicle Gas & Maintenance	7,979.84
67009 · Personal	402.30
67011 · Kitchen Garden	2,681.42
67012 · Sewing	17.10
67013 · Vehicle payments	2,643.76
67000 · Monastic Household - Other	29.69
<b>Total 67000 · Monastic Household</b>	<b>48,053.69</b>

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05/09/15

Accrual Basis

**Holy Myrrhbearers Monastery**  
**Profit & Loss**  
**January through December 2014**

	<u>Jan - Dec 14</u>
67200 · Guest Ministry & Hospitality	
67201 · Guest House Phone Utilities etc	3,777.70
67200 · Guest Ministry & Hospitality - Other	2,708.11
	<hr/>
<b>Total 67200 · Guest Ministry &amp; Hospitality</b>	<b>6,485.81</b>
67500 · Zoar Farms	
67501 · Livestock Feed	11,044.98
67502 · Routine Farm Maintenance	136.02
67503 · Livestock Vet Care & Meds	1,587.50
67504 · Farm Equipment	300.00
67505 · Memberships & Subscriptions	226.00
67506 · Barn Maintenance & Renovation	12,047.19
67507 · Farm Vehicle Gas & Maintenance	4,905.09
67509 · Animal Pedigree Registration	547.00
67510 · Dairy Supplies	91.19
	<hr/>
<b>Total 67500 · Zoar Farms</b>	<b>30,884.97</b>
68300 · Travel and Meetings	
68310 · Conference, Convention, Meeting	
68311 · Training Workshops	32.00
	<hr/>
<b>Total 68310 · Conference, Convention, Meeting</b>	<b>32.00</b>
68320 · Travel	1,353.36
	<hr/>
<b>Total 68300 · Travel and Meetings</b>	<b>1,385.36</b>
69800 · Uncategorized Expenses	4,000.00
	<hr/>
<b>Total Expense</b>	<b>169,593.73</b>
<b>Net Ordinary Income</b>	<b>17,344.25</b>
Other Income/Expense	
Other Expense	
80000 · Ask My Accountant	-17.90
	<hr/>
<b>Total Other Expense</b>	<b>-17.90</b>
<b>Net Other Income</b>	<b>17.90</b>
<b>Net Income</b>	<b>17,362.15</b>

## Holy Myrrhbearers Monastery

05/09/15

## Balance Sheet

Accrual Basis

As of May 9, 2015

May 9, 15

## ASSETS

<b>Current Assets</b>		
<b>Checking/Savings</b>		
checking		1,251.61
regular savings		2,437.92
special savings		1,601.62
- Petty Cash		-30.21
* House Checking Account		156.89
<b>Total Checking/Savings</b>		<b>5,417.83</b>
<b>Accounts Receivable</b>		
11100 · Allowance for Doubtful Accounts		1,001.44
11400 · Grants Receivable		
11401 · Reimbursements		-29.78
11400 · Grants Receivable - Other		-38.14
<b>Total 11400 · Grants Receivable</b>		<b>-67.92</b>
<b>Total Accounts Receivable</b>		<b>933.52</b>
<b>Other Current Assets</b>		
12000 · Undeposited Funds		693.72
12100 · Inventory Asset		
12101 · Books Published by Monastery		1,413.00
12102 · Purchased Books		370.00
12103 · Card Inventory		79,534.75
12104 · Farm Products		4,170.00
12106 · Palestinian Products		2,562.00
12100 · Inventory Asset - Other		460,058.40
<b>Total 12100 · Inventory Asset</b>		<b>548,108.15</b>
13000 · Prepaid Expenses		118.47
13500 · Supplies Inventory		
13501 · Farm Equipment		5,012.81
13502 · Yard & Garden Equipment		999.00
13500 · Supplies Inventory - Other		256.73
<b>Total 13500 · Supplies Inventory</b>		<b>6,268.54</b>
<b>Total Other Current Assets</b>		<b>555,188.88</b>
<b>Total Current Assets</b>		<b>561,540.23</b>
<b>Fixed Assets</b>		
15000 · Furniture and Equipment		6,262.43
15100 · Buildings - Operating		
15101 · Main Monastery		371,025.21
15103 · Guest House ("Millhouse")		43,752.73
15104 · Main Barn		32,374.12
15105 · Buck Barn		9,664.63
15106 · Ox Shed		689.96
15107 · POUSTINIA		15,106.40
15110 · Monastery Chapel		
15111 · Bells & Bell Tower		9,035.00
15112 · Chapel Furniture, Icons etc.		-4,000.00
15110 · Monastery Chapel - Other		5,450.00
<b>Total 15110 · Monastery Chapel</b>		<b>10,485.00</b>
15114 · Baptist Church		10,871.35
15100 · Buildings - Operating - Other		800.00
<b>Total 15100 · Buildings - Operating</b>		<b>494,769.40</b>
15500 · Facility Construction		190.00



**Holy Myrrhbearers Monastery**  
**Balance Sheet**  
 As of May 9, 2015

	May 9, 15
15700 · Land - Operating	
15701 · Main Monastery Property	71,812.50
15702 · Millhouse Property	3,201.92
<b>Total 15700 · Land - Operating</b>	<b>75,014.42</b>
15900 · Leasehold Improvements	2,000.00
16400 · Vehicles	23,060.90
17100 · Accum Depr - Furn and Equip	7,656.07
17200 · Accum Depr - Buildings	5,303.98
17400 · Accum Depr - Vehicles	
17401 · Farm Vehicles and Equipment	7,618.00
17400 · Accum Depr - Vehicles - Other	35,412.75
<b>Total 17400 · Accum Depr - Vehicles</b>	<b>43,030.75</b>
<b>Total Fixed Assets</b>	<b>657,287.95</b>
<b>Other Assets</b>	
18000 · Marketable Securities	62,963.85
18100 · Land and Buildings - Investment	4,190.00
18300 · Other Investments	10,000.00
18600 · Other Assets	
18601 · Zoar Farms Livestock	5,776.16
<b>Total 18600 · Other Assets</b>	<b>5,776.16</b>
18800 · Restricted Contributions	318,000.00
<b>Total Other Assets</b>	<b>400,930.01</b>
<b>TOTAL ASSETS</b>	<b>1,619,758.19</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Long Term Liabilities</b>	
27100 · Notes, Mortgages, and Leases	
27101 · RBO Note	-339.10
27100 · Notes, Mortgages, and Leases - Other	-276.06
<b>Total 27100 · Notes, Mortgages, and Leases</b>	<b>-615.16</b>
27200 · Other Liabilities	-9,693.87
27300 · Refundable Deposits Payable	
27301 · Postulant Trust Holding	
27302 · Due To Debra Hile	10,000.00
27301 · Postulant Trust Holding - Other	-26,391.30
<b>Total 27301 · Postulant Trust Holding</b>	<b>-16,391.30</b>
<b>Total 27300 · Refundable Deposits Payable</b>	<b>-16,391.30</b>
<b>Total Long Term Liabilities</b>	<b>-26,700.33</b>
<b>Total Liabilities</b>	<b>-26,700.33</b>
<b>Equity</b>	
30000 · Opening Bal Equity	1,133,076.37
32000 · Unrestricted Net Assets	527,758.05
Net Income	-14,375.90
<b>Total Equity</b>	<b>1,646,458.52</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,619,758.19</b>

Holy Myrrhbearers Monastery  
Profit & Loss  
January 1 through May 9, 2015

	Jan 1 - May 9, 15
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
43400 · Direct Public Support	
43450 · Individ, Business Contributions	35,551.06
<b>Total 43400 · Direct Public Support</b>	<b>35,551.06</b>
45000 · Investments	
45020 · Dividend, Interest (Securities)	0.62
45030 · Interest-Savings, Short-term CD	0.30
<b>Total 45000 · Investments</b>	<b>0.92</b>
46400 · Other Types of Income	
46420 · Inventory Sales	
46421 · Sale of Monastery Books	729.90
46422 · Sale of Purchased Books	99.00
46423 · Sale of Cards	1,386.44
46424 · Sale of Farm Products	1,828.89
46426 · Sale of Palestinian Products	162.00
<b>Total 46420 · Inventory Sales</b>	<b>4,206.23</b>
46430 · Craftwork Commissions	27.75
46430* · Miscellaneous Revenue	5,950.70
46400 · Other Types of Income - Other	10,975.35
<b>Total 46400 · Other Types of Income</b>	<b>21,160.03</b>
<b>Total Income</b>	<b>56,712.01</b>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	155.00
50700 · Cost of Sales - Inventory Sales	
50701 · Book Publishing	15.99
50702 · Book Purchases	0.00
50703 · Cost of Card Publication	17.90
50704 · Farm Product Preparation	2,936.08
50706 · Palestinian Product Purchase	0.00
50700 · Cost of Sales - Inventory Sales - Other	0.00
<b>Total 50700 · Cost of Sales - Inventory Sales</b>	<b>2,969.97</b>
<b>Total COGS</b>	<b>3,124.97</b>
<b>Gross Profit</b>	<b>53,587.04</b>
<b>Expense</b>	
60300 · Awards and Grants	
60320 · Cash Awards and Grants	15.00
<b>Total 60300 · Awards and Grants</b>	<b>15.00</b>
60900 · Business Expenses	
60950 · UBITaxes	
60951 · Sales Tax Collected	66.65
<b>Total 60950 · UBITaxes</b>	<b>66.65</b>
60900 · Business Expenses - Other	500.00
<b>Total 60900 · Business Expenses</b>	<b>566.65</b>
62100 · Contract Services	
62110 · Accounting Fees	2,000.00
62150 · Outside Contract Services	140.00
62160 · Credit Card & Bank Fees	994.95
<b>Total 62100 · Contract Services</b>	<b>3,134.95</b>
62170 · Bank Account Overdraft Charges	303.50

## Holy Myrrhbearers Monastery

## Profit &amp; Loss

January 1 through May 9, 2015

05/09/15

Accrual Basis

	Jan 1 - May 9, 15
<b>62800 · Facilities and Equipment</b>	
62815 · Building and Renovation	7,697.68
62820 · Grounds & Landscaping	327.80
62840 · Equip Rental and Maintenance	430.00
62870 · Property Insurance	790.25
62880 · Real Estate, Personal Prop Tax	1,983.86
62890 · Utilities, Fuel & Electric Co	1,569.96
62800 · Facilities and Equipment - Other	32.81
<b>Total 62800 · Facilities and Equipment</b>	<b>12,832.36</b>
<b>65000 · Operations</b>	
65010 · Books, Subscriptions, Reference	
65011 · Library	39.94
65010 · Books, Subscriptions, Reference - Other	35.00
<b>Total 65010 · Books, Subscriptions, Reference</b>	<b>74.94</b>
65020 · Postage, Mailing Service	465.56
65040 · Supplies	39.28
65050 · Telephone, Telecommunications	747.31
65060 · Computers and Internet	
65061 · Credit Card Processing	75.15
<b>Total 65060 · Computers and Internet</b>	<b>75.15</b>
<b>Total 65000 · Operations</b>	<b>1,402.24</b>
<b>65100 · Other Types of Expenses</b>	
65110 · Advertising Expenses	
65112 · Marketing, Display Expenses etc	213.00
65110 · Advertising Expenses - Other	195.00
<b>Total 65110 · Advertising Expenses</b>	<b>408.00</b>
65120 · Insurance - Liability, D and O	
65121 · Life Insurance	342.08
65120 · Insurance - Liability, D and O - Other	86.25
<b>Total 65120 · Insurance - Liability, D and O</b>	<b>428.33</b>
65150 · Memberships and Dues	37.00
65151 · Church Obligations & Charity	495.00
65161 · Chapel Expenses	632.58
65100 · Other Types of Expenses - Other	1,135.00
<b>Total 65100 · Other Types of Expenses</b>	<b>3,135.91</b>
<b>67000 · Monastic Household</b>	
67001 · General Maintenance & Upkeep	2,691.79
67002 · Food and Groceries	4,475.89
67004 · Health Care	1,769.07
67005 · Pet Food and Upkeep	252.26
67006 · Vehicle Insurance	970.50
67007 · Vehicle Gas & Maintenance	1,537.68
67011 · Kitchen Garden	141.44
67000 · Monastic Household - Other	10,829.18
<b>Total 67000 · Monastic Household</b>	<b>22,667.81</b>
67014 · Vehicle Registration	56.50
67200 · Guest Ministry & Hospitality	
67201 · Guest House Phone Utilities etc	1,028.68
67200 · Guest Ministry & Hospitality - Other	18.74
<b>Total 67200 · Guest Ministry &amp; Hospitality</b>	<b>1,047.42</b>

## Holy Myrrhbearers Monastery

## Profit &amp; Loss

January 1 through May 9, 2015

	<u>Jan 1 - May 9, 15</u>
67500 · Zoar Farms	
67501 · Livestock Feed	7,320.62
67502 · Routine Farm Maintenance	26.87
67503 · Livestock Vet Care & Meds	325.21
67505 · Memberships & Subscriptions	20.00
67507 · Farm Vehicle Gas & Maintenance	200.80
67509 · Animal Pedigree Registration	525.00
	<hr/>
<b>Total 67500 · Zoar Farms</b>	8,418.50
69800 · Uncategorized Expenses	14,400.00
	<hr/>
<b>Total Expense</b>	67,980.84
Net Ordinary Income	-14,393.80
Other Income/Expense	
Other Expense	
80000 · Ask My Accountant	-17.90
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<b>Total Other Expense</b>	-17.90
Net Other Income	17.90
	<hr/>
Net Income	<b>-14,375.90</b>
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# **ST HERMAN'S ORTHODOX THEOLOGICAL SEMINARY FINANCIAL STATEMENTS**

1. Financial Statements and Auditors' Report Years Ended June 30, 2010 and 2009
2. Financial Statements and Auditors' Report Years Ended June 30, 2012 and 2011
3. Internal Financial Statements for the period Year Ended May 15, 2013
4. Internal Financial Statements for the period ended April 30, 2014

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Financial Statements  
(With Independent Auditors' Report Thereon)

Years Ended June 30, 2010 and 2009

*Altman, Rogers  
& Co.* CERTIFIED  
PUBLIC  
ACCOUNTANTS



ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Financial Statements  
(With Independent Auditors' Report Thereon)

Years Ended June 30, 2010 and 2009





ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

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Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10

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Independent Auditors' Report

Board of Trustees  
St. Herman's Theological Seminary, Inc.  
Kodiak, Alaska

Ladies and Gentlemen:

We have audited the accompanying statements of financial position of the St. Herman's Theological Seminary, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Seminary's management. 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 audits 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 St. Herman's Theological Seminary, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 St. Herman's Theological Seminary, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

June 5, 2012  
Anchorage, Alaska

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ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Statements of Financial Position

June 30, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 59,768	123,233
Prepaid expenses	841	5,723
Total current assets	<u>60,609</u>	<u>128,956</u>
Investments	22,345	20,042
Restricted cash and cash equivalents	37,915	36,282
Property, equipment and improvements (net of accumulated depreciation of \$1,057,576 and \$1,025,727, respectively)	<u>403,508</u>	<u>420,679</u>
	<u>\$ 524,377</u>	<u>605,959</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Current:		
Accounts payable	4,371	9,119
Payroll liabilities	1,629	-
Other	300	-
Total liabilities	<u>6,300</u>	<u>9,119</u>
Net assets:		
Permanently restricted	52,500	52,500
Temporarily restricted -		
Housing	34,125	34,125
Unrestricted - undesignated	<u>431,452</u>	<u>510,215</u>
Total net assets	<u>518,077</u>	<u>596,840</u>
	<u>\$ 524,377</u>	<u>605,959</u>

See accompanying notes to financial statements.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Statements of Activities

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted net assets:		
Revenues and other support:		
Contributions	\$ 299,605	421,480
Miscellaneous income	5,600	250
Interest and dividends	1,801	2,099
Gain (loss) on investments, net	1,584	(9,141)
Total revenues and other support	<u>308,590</u>	<u>414,688</u>
Expenses:		
Program expenses:		
Instruction	179,210	180,653
Academic support	45,931	41,601
Facilities and maintenance	115,287	126,574
Public relations	3,165	17,307
Auxiliary services	11,911	9,989
Total program expenses	<u>355,504</u>	<u>376,124</u>
Management and general	31,849	34,013
Total expenses	<u>387,353</u>	<u>410,137</u>
Changes in net assets	(78,763)	4,551
Net assets, beginning of year	<u>596,840</u>	<u>592,289</u>
Net assets, end of year	<u>\$ 518,077</u>	<u>596,840</u>

See accompanying notes to financial statements.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (78,763)	4,551
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	31,849	33,412
Unrealized (gain) loss on investments	(1,909)	9,899
(Increase) decrease in assets:		
Prepaid expenses	4,882	(2,210)
Increase (decrease) in liabilities:		
Accounts payable	(4,748)	510
Payroll liabilities	1,629	-
Other	300	-
Net cash provided (used) by operating activities	<u>(46,760)</u>	<u>46,162</u>
Cash flows provided (used) by investing activities:		
Purchase of investments	(394)	(825)
Purchase of property and equipment	(14,678)	(2,100)
Net cash provided (used) by investing activities	<u>(15,072)</u>	<u>(2,925)</u>
Net increase (decrease) in cash and cash equivalents	(61,832)	43,237
Cash and cash equivalents, beginning of year	<u>159,515</u>	<u>116,278</u>
Cash and cash equivalents, end of year	\$ <u><u>97,683</u></u>	<u><u>159,515</u></u>
Cash and cash equivalents as reported on the Statements of Financial Position:		
Cash and cash equivalents	\$ 59,768	123,233
Restricted cash and cash equivalents	37,915	36,282
	\$ <u><u>97,683</u></u>	<u><u>159,515</u></u>

See accompanying notes to financial statements.



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ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2010 and 2009

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

St. Herman's Theological Seminary, Inc. (the Seminary) operates an educational institution in Kodiak, Alaska providing religious instruction in the Russian Orthodox faith. The Seminary was incorporated September 22, 1974. The Seminary's significant revenue sources are from private donations.

Basis of Accounting and Presentation

The Seminary's accounting records are maintained on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses when incurred. The financial statement presentation follows the recommendation of the Financial Accounting Standards Board. Under GAAP, contributions and pledges are recorded in the period received in the appropriate class of net assets based upon any donor-imposed stipulations.

*Unrestricted* net assets represent that portion of net assets of the Seminary that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted* net assets represent that portion of net assets of the Seminary whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Seminary. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently restricted* net assets represent the part of the net assets from contributions whose use by the Seminary is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Seminary.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Seminary considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

In-kind Contributions

Donated services are recognized as contributions in accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services, 1) create or enhance non-financial assets, or 2) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by the Seminary. In-kind contributions for space, supplies and professional services are recorded on the Statement of Activities at fair value and recognized as revenues and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The Seminary capitalizes items over \$100.

The Seminary considers net assets restricted for property and equipment released at the time of purchase absent any other donor restrictions.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond the June 30 year are recorded as prepaid expenses.

Expense Allocation

The costs of providing 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.

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. Actual results could differ from those estimates.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

(2) INVESTMENTS

Investments are stated at fair value and consist of securities summarized as follows at June 30:

	<u>2010</u>	<u>2009</u>
General Electric Company (GE)	\$ 4,211	3,922
Medtronic, Inc. (MDT)	870	841
Legg Mason Lifestyle Allocation 85% A (SCHAX)	<u>17,264</u>	<u>15,279</u>
Balance, ending	\$ <u>22,345</u>	<u>20,042</u>

Earnings on investments were comprised of the following at June 30:

	<u>2010</u>	<u>2009</u>
Balance, beginning	\$ 20,042	29,116
Interest and dividends	394	67
Realized gains (losses)	-	758
Unrealized gains (losses)	<u>1,909</u>	<u>(9,899)</u>
Balance, ending	\$ <u>22,345</u>	<u>20,042</u>

(3) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 194,197	194,197
Buildings and improvements	993,812	983,384
Equipment	204,792	198,441
Library collection	<u>68,283</u>	<u>70,384</u>
	1,461,084	1,446,406
Less accumulated depreciation	<u>(1,057,576)</u>	<u>(1,025,727)</u>
	\$ <u>403,508</u>	<u>420,679</u>

Depreciation expense at June 30, 2010 and 2009 was \$31,849 and \$33,412 respectively.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

Property and equipment are depreciated over the following useful lives:

	<u>Years</u>
Buildings	30
Improvements	15
Equipment	7-10

**(4) OPERATING LEASE**

The Seminary entered into 60-months operating lease on February 23, 2009 for a Xerox copier. The minimum lease payments are \$287.25 per month. The rent expense was \$4,638 for the year ended June 30, 2010. Minimum lease payments are \$3,447 for each of the next five years.

**(5) TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets are comprised of donations received for the Haddad housing project. This project is currently on hold.

Permanently restricted net assets are comprised of donations for the purpose of providing earnings to offset student tuition costs. These donations are to be held in perpetuity and the interest earnings derived from these funds may be used for scholarships. Earnings on these funds are utilized each year as earned and therefore, no earnings are reported as restricted.

Restricted cash consists of amounts deposited with the Loyal Christian Benefit Association (LCBA). These deposits include contributions restricted for the purpose of scholarships as well as the earnings thereon.

**(6) FAIR VALUE MEASUREMENTS**

Investments of the Seminary are reported at fair value. The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties. Fair values are based on quoted market prices when available. The Seminary does not have investments for which quoted market prices are not available.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

The Financial Accounting Standards Board issued authoritative guidance establishing a framework for measuring fair value. That framework provides a fair value hierarchy based on the inputs used to measure fair value and expanding disclosures about the use of fair value measurements. 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Seminary has the ability to access. At the measurement date.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Seminary's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their level within the fair value hierarchy.

All investments of the Seminary are measured at fair value on a recurring basis and are valued based on Level 1 inputs.

**(7) INCOME TAX STATUS**

The Seminary is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Seminary's tax-exempt purpose is subject to taxation as unrelated business income. It is the Seminary's policy to report interest and penalties associated with income taxes, if any, as interest expense and other expense, respectively. In addition, the Seminary qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509 (a)(2). The Seminary does not have any tax return years open.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

**(8) CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Seminary to concentrations of credit risk consist principally of cash balances. The Seminary places its cash with financial institutions insured up to \$250,000 by FDIC. Cash accounts held by financial institutions did not exceed insured limits.

**(9) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 5, 2012, the date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting policies.



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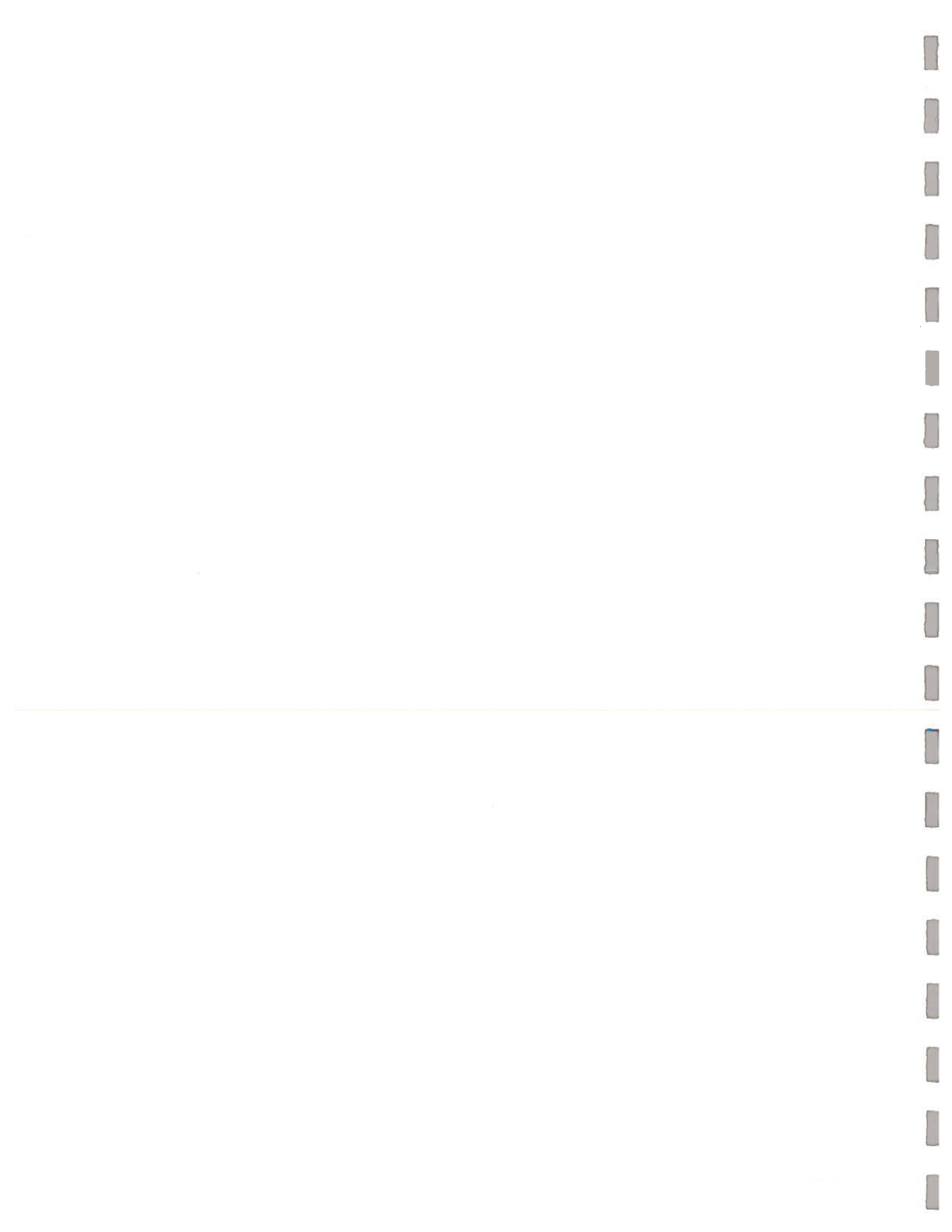


ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Financial Statements  
(With Independent Auditor's Report Thereon)

Years Ended June 30, 2012 and 2011

*Altman, Rogers  
& Co.* | CERTIFIED  
PUBLIC  
ACCOUNTANTS



ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Financial Statements  
(With Independent Auditor's Report Thereon)

Years Ended June 30, 2012 and 2011



ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

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Independent Auditors' Report

Board of Trustees  
St. Herman's Theological Seminary, Inc.  
Kodiak, Alaska

Ladies and Gentlemen:

We have audited the accompanying statements of financial position of St. Herman's Theological Seminary, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 St. Herman's Theological Seminary, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Altman, Rogers & Co.*

Anchorage, Alaska  
April 10, 2014



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ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Statements of Financial Position

June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 68,409	110,567
Investments	7,015	6,432
Prepaid expenses	3,198	-
Total current assets	<u>78,622</u>	<u>116,999</u>
Restricted cash and cash equivalents	46,426	39,621
Restricted investments	21,942	21,183
Property, equipment and improvements (net of accumulated depreciation of \$995,519 and \$984,210, respectively)	<u>372,689</u>	<u>375,757</u>
	<u>\$ 519,679</u>	<u>553,560</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Current:		
Accounts payable	7,506	11,556
Other	1,650	1,350
Total liabilities	<u>9,156</u>	<u>12,906</u>
Net assets:		
Permanently restricted	52,500	52,500
Temporarily restricted - Scholarships	18,976	12,121
Unrestricted - undesignated	<u>439,047</u>	<u>476,033</u>
Total net assets	<u>510,523</u>	<u>540,654</u>
	<u>\$ 519,679</u>	<u>553,560</u>

See accompanying notes to financial statements.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Statements of Activities

Years Ended June 30, 2012 and 2011

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and other support:				
Contributions	\$ 361,640	5,060	-	366,700
Miscellaneous income	2,929	-	-	2,929
Interest and dividends	458	1,795	-	2,253
Gain (loss) on investments, net	1,120	-	-	1,120
Total revenues and other support	<u>366,147</u>	<u>6,855</u>	<u>-</u>	<u>373,002</u>
Net assets released from restrictions	-	-	-	-
Total revenue	<u>366,147</u>	<u>6,855</u>	<u>-</u>	<u>373,002</u>
Expenses:				
Program expenses:				
Instruction	143,881	-	-	143,881
Institutional support	30,906	-	-	30,906
Student services	21,479	-	-	21,479
Public relations	536	-	-	536
Facilities and maintenance	137,107	-	-	137,107
Total program expenses	<u>333,909</u>	<u>-</u>	<u>-</u>	<u>333,909</u>
Management and general	51,871	-	-	51,871
Fundraising	17,353	-	-	17,353
Total expenses	<u>403,133</u>	<u>-</u>	<u>-</u>	<u>403,133</u>
Changes in net assets	(36,986)	6,855	-	(30,131)
Net assets, beginning of year	<u>476,033</u>	<u>12,121</u>	<u>52,500</u>	<u>540,654</u>
Net assets, end of year	<u>\$ 439,047</u>	<u>18,976</u>	<u>52,500</u>	<u>510,523</u>

(continued)

See accompanying notes to financial statements.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Statements of Activities, continued

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues and other support:</b>				
Contributions	\$ 382,205	-	-	382,205
Miscellaneous income	8,678	-	-	8,678
Interest and dividends	460	1,706	-	2,166
Gain (loss) on investments, net	4,899	-	-	4,899
Total revenues and other support	<u>396,242</u>	<u>1,706</u>	<u>-</u>	<u>397,948</u>
<b>Net assets released from restrictions</b>				
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>396,242</u>	<u>1,706</u>	<u>-</u>	<u>397,948</u>
<b>Expenses:</b>				
<b>Program expenses:</b>				
Instruction	134,563	-	-	134,563
Institutional support	18,203	-	-	18,203
Student services	19,354	-	-	19,354
Public relations	697	-	-	697
Facilities and maintenance	109,228	-	-	109,228
Total program expenses	<u>282,045</u>	<u>-</u>	<u>-</u>	<u>282,045</u>
Management and general	73,018	-	-	73,018
Fundraising	20,308	-	-	20,308
Total expenses	<u>375,371</u>	<u>-</u>	<u>-</u>	<u>375,371</u>
Changes in net assets	20,871	1,706	-	22,577
Net assets, beginning of year	<u>455,162</u>	<u>10,415</u>	<u>52,500</u>	<u>518,077</u>
Net assets, end of year	<u>\$ 476,033</u>	<u>12,121</u>	<u>52,500</u>	<u>540,654</u>

See accompanying notes to financial statements.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (30,131)	22,577
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,309	31,873
Unrealized (gain) loss on investments	(1,120)	(4,899)
(Increase) decrease in assets:		
Prepaid expenses	(3,198)	841
Increase (decrease) in liabilities:		
Accounts payable	(4,050)	7,185
Payroll liabilities	-	(1,629)
Other	300	1,050
Net cash provided (used) by operating activities	<u>(26,890)</u>	<u>56,998</u>
Cash flows provided (used) by investing activities:		
Purchase of investments	(222)	(371)
Purchase of property and equipment	(8,241)	(4,122)
Net cash provided (used) by investing activities	<u>(8,463)</u>	<u>(4,493)</u>
Net increase (decrease) in cash and cash equivalents	(35,353)	52,505
Cash and cash equivalents, beginning of year	<u>150,188</u>	<u>97,683</u>
Cash and cash equivalents, end of year	\$ <u><u>114,835</u></u>	<u><u>150,188</u></u>
Cash and cash equivalents as reported on the Statements of Financial Position:		
Cash and cash equivalents	\$ 68,409	110,567
Restricted cash and cash equivalents	46,426	39,621
	\$ <u><u>114,835</u></u>	<u><u>150,188</u></u>

See accompanying notes to financial statements.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

St. Herman's Theological Seminary, Inc. (the Seminary) operates an educational institution in Kodiak, Alaska providing religious instruction in the Russian Orthodox faith. The Seminary was incorporated September 22, 1974. The Seminary's significant revenue sources are from private donations.

Operations

The Seminary's core activities are comprised of:

Instruction- Payroll and benefits, including payroll taxes for employees.

Institutional Support- Operation of the office, accounting and audits (includes faculty and visiting speakers' travel)

Student Services- Food, supplies, course books, library expenses, and student stipends.

Public Relations- Web page maintenance and hospitality.

Facilities and Maintenance- Insurance, taxes, fees, maintenance, repairs and utilities for operation of buildings, vehicles and Xerox.

Management and General- Depreciation of facilities and management portion of salaries.

Fundraising- Expense for printing, assembling, and mailing fund-raising publications.

Basis of Accounting and Presentation

The Seminary's accounting records are maintained on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses when incurred. The financial statement presentation follows the recommendation of the Financial Accounting Standards Board. Under GAAP, contributions and pledges are recorded in the period received in the appropriate class of net assets based upon any donor-imposed stipulations.

*Unrestricted* net assets represent that portion of net assets of the Seminary that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The organization classifies all temporarily restricted net assets received and released within the same fiscal year as unrestricted for reporting purposes.

## ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

### Notes to Financial Statements, Continued

*Temporarily restricted* net assets represent that portion of net assets of the Seminary whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Seminary. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently restricted* net assets represent the part of the net assets from contributions whose use by the Seminary is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Seminary.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Seminary considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Investments

The investment objective of the agency is to provide funds necessary to meet its future annual obligations and to provide future scholarships. The agency desires to achieve security, stability, and liquidity with some growth after inflation. The investment objectives of the agency are the preservation of assets.

#### Fair Value of Financial Instruments

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable and (5) other current liabilities. The carrying amounts reported in the statements of financial position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

#### Prepaid expenses

Payments made to vendors for services that will benefit periods beyond the June 30 year are recorded as prepaid expenses.

#### Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The Seminary capitalizes items over \$100.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

The Seminary considers net assets restricted for property and equipment released at the time of purchase absent any other donor restrictions.

In-kind Contributions

Donated services are recognized as contributions in accordance with FFASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services, 1) create or enhance non-financial assets, or 2) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by the Seminary. In-kind contributions for space, supplies and professional services are recorded on the Statement of Activities at fair value and recognized as revenues and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

Expense Allocation

The costs of providing 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.

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. Actual results could differ from those estimates.

**(2) DEPOSITS WITH FINANCIAL INSTITUTIONS**

The Seminary maintains several checking, savings and certificate of deposit accounts with Wells Fargo, First National Bank of Alaska, LCBA and The Russian Brotherhood Organization of the USA. FDIC insures Wells Fargo and First National Bank of Alaska accounts up to \$250,000 per depositor per financial institution. As of June 30, 2012, demand deposits that are non-interest bearing transaction accounts have unlimited FDIC insurance coverage. As of June 30, 2012 and 2011, \$46,426 and \$39,621 were uninsured, respectively.



ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

**(3) INVESTMENTS**

Investments are stated at fair value and consist of stocks and securities summarized as follows at June 30:

	<u>2012</u>	<u>2011</u>
Stocks:		
General Electric Company (GE)	\$ 6,085	5,507
Medtronic, Inc. (MDT)	930	925
Legg Mason Lifestyle Allocation 85% A (SCHAX)	<u>21,942</u>	<u>21,183</u>
Securities:		
Balance, ending	\$ <u>28,957</u>	<u>27,615</u>

Earnings on investments were comprised of the following at June 30:

	<u>2012</u>	<u>2011</u>
Balance, beginning	\$ 27,615	22,345
Interest and dividends	222	371
Realized gains (losses)	-	-
Unrealized gains (losses)	<u>1,120</u>	<u>4,899</u>
Balance, ending	\$ <u>28,957</u>	<u>27,615</u>

**(4) FAIR VALUE MEASUREMENTS**

Investments of the Seminary are reported at fair value. The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties. Fair values are based on quoted market prices when available. The Seminary does not have investments for which quoted market prices are not available.

The Financial Accounting Standards Board issued authoritative guidance establishing a framework for measuring fair value. That framework provides a fair value hierarchy based on the inputs used to measure fair value and expanding disclosures about the use of fair value measurements. 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Seminary has the ability to access. At the measurement date.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Seminary's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their level within the fair value hierarchy.

The following table provides information as of June 30<sup>th</sup> about the Seminary's financial assets measured at fair value. Stocks and securities have been valued at market based on quoted prices of similar assets in active markets.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2012</u>				
Investments	<u>28,957</u>	-	-	<u>28,957</u>
Total assets	\$ <u>28,957</u>	<u>-</u>	<u>-</u>	<u>28,957</u>
<u>2011</u>				
Investments	<u>27,615</u>	-	-	<u>27,615</u>
Total assets	\$ <u>27,615</u>	<u>-</u>	<u>-</u>	<u>27,615</u>

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

**(5) PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 194,197	194,197
Buildings and improvements	995,674	995,674
Equipment	108,853	101,812
Library collection	<u>69,484</u>	<u>68,284</u>
	1,368,208	1,359,967
Less accumulated depreciation	<u>(995,519)</u>	<u>(984,210)</u>
	<u>\$ 372,689</u>	<u>375,757</u>

Depreciation expense at June 30, 2012 and 2011 was \$11,309 and \$31,873 respectively.

Property and equipment are depreciated over the following useful lives:

	<u>Years</u>
Buildings	30
Improvements	15
Equipment	7-10

**(6) NET ASSET RESTRICTIONS**

Permanently Restricted Net Assets

The Seminary's permanently restricted net assets are comprised of donations restricted for scholarships. For the years ended June 30, 2012 and 2011, the principle amount of \$52,500 is permanently restricted with all earning related to these funds to be spent on scholarships.

Temporarily Restricted Net Assets

The Seminary's temporarily restricted net assets are compromised of donations restricted for student scholarships. For the years ended June 30, 2012 and 2011, scholarships amounting to \$18,976 and \$12,121 were temporarily restricted, respectively.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

**(7) OPERATING LEASE**

The Seminary entered into 60-months operating lease on February 23, 2009 for a Xerox copier. The minimum lease payments are \$287.25 per month. The rent expense was \$4,226 and \$4,611 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments are as follows:

	<u>2012</u>	<u>2011</u>
2012	\$ -	3,447
2013	3,447	3,447
2014	<u>575</u>	<u>575</u>
	<u>\$ 4,022</u>	<u>7,469</u>

**(8) RESTRICTED CASH AND INVESTMENTS**

Restricted cash consists of amounts deposited with the Loyal Christian Benefit Association (LCBA) and The Russian Brotherhood Organization of the USA (RBO). These deposits include contributions restricted for the purpose of scholarships as well as the earnings thereon.

Restricted investments consist of amounts deposited with Primerica Investments. This investment includes contributions restricted for the purpose of scholarships as well as the earnings thereon.

**(9) IN-KIND CONTRIBUTIONS**

In-kind contributions for the year ended June 30, 2012 and 2011 consist of furniture and educational supplies in the amount of \$1,450 and \$2,200, respectively. In-kind revenues and expenses are recorded at their estimated fair values.

**(10) INCOME TAX STATUS**

The Seminary is a nonprofit corporation exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code.

Although the Seminary is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Seminary had no income derived from unrelated business activities as of June 30, 2012 or 2011.

ST. HERMAN'S THEOLOGICAL SEMINARY, INC.

Notes to Financial Statements, Continued

**(11) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 10, 2014, the date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting policies.

**(12) RECLASSIFICATIONS**

Net Asset amounts were reclassified in the year ended June 30, 2011. Certain amounts relating to the year ended June 30, 2010 presented in the prior year financials have been reclassified in order to conform to current year presentation.

St. Herman's Seminary  
**Balance Sheet**  
 As of May 15, 2013

	May 15, 13
<b>ASSETS</b>	
Current Assets	
Checking/Savings	58,853.48
First National	12,812.07
Wells Fargo Credit Card Deposit	11,349.57
Ilaasi Savings Account FNBA	5,090.55
RBO Ft Kretz	88,105.67
Total Checking/Savings	100.00
Other Current Assets	23,710.66
Petty Cash Fund	2,220.64
Investments	7,708.08
Primerica Account	9,928.72
Wells Fargo	33,639.38
WF - Cash and Sweep Accounts	1,083.41
WF Invest - Stocks and Options	31,574.72
Total Wells Fargo	32,658.13
Total Investments	-166.00
Restricted Cash	66,231.51
LCBASmerznak School Acct # 97	154,337.18
LCBA/Fr Joe Kretz School #111	1,198,651.81
Total Restricted Cash	202,691.57
Clearing Account	69,483.45
Total Other Current Assets	2,100.00
Total Current Assets	-1,089,448.49
Fixed Assets	383,478.34
Land, Building & Equipment	-10,161.91
Chapel	-10,161.91
Library Acquisitions	527,653.61
Icons	
Accumulated Depreciation	
Total Fixed Assets	
Other Assets	
Gain/Loss on Investments	
Total Other Assets	
<b>TOTAL ASSETS</b>	<b>527,653.61</b>

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Accrual Basis

St. Herman's Seminary  
**Balance Sheet**  
As of May 15, 2013

May 15, 13

<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	605.90
Accounts Payable	605.90
<b>Total Accounts Payable</b>	
<b>Other Current Liabilities</b>	
Housing Deposit	1,075.00
Payroll Liabilities	2,169.26
<b>Total Other Current Liabilities</b>	3,244.26
<b>Total Current Liabilities</b>	3,850.16
<b>Total Liabilities</b>	3,850.16
<b>Equity</b>	
Perm. Restricted Net Assets	25,000.00
Primerica Initial Investment	27,500.00
Fr. Joe Kreta Scholarship Fund	
<b>Total Perm. Restricted Net Assets</b>	52,500.00
<b>Unrestricted Net Assets</b>	
Net Income	477,797.53
Total Equity	6,494.08
<b>Total Equity</b>	523,803.45
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>527,653.61</b>

St. Herman's Seminary  
Profit & Loss Budget vs. Actual  
July 1, 2012 through May 15, 2013

	Jul 1, '12 - May 15, '13	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Contributions & Donations	183,700.43	260,000.00	-76,299.57	70.7%
Bequests	35,000.00	5,000.00	30,000.00	700.0%
Koulaieff Scholarship	10,000.00	10,000.00	0.00	100.0%
Sidor Scholarship	16,000.00	16,000.00	0.00	100.0%
Housing Support	49,464.00	61,000.00	-11,536.00	81.1%
Summer Housing	0.00	1,200.00	-1,200.00	0.0%
Tuition and Fees	25.00	0.00	25.00	100.0%
Scholarships				
Fr Kreta	653.00	0.00	653.00	100.0%
Scholarships - Other	12,900.00	25,000.00	-12,100.00	51.6%
<b>Total Scholarships</b>	<b>13,553.00</b>	<b>25,000.00</b>	<b>-11,447.00</b>	<b>54.2%</b>
<b>Fundraising</b>				
Board	575.00	5,000.00	-4,425.00	11.5%
Dean & Faculty	3,852.00	5,000.00	-1,148.00	77.0%
Fundraising - Other	0.00	1,500.00	-1,500.00	0.0%
<b>Total Fundraising</b>	<b>4,427.00</b>	<b>11,500.00</b>	<b>-7,073.00</b>	<b>38.5%</b>
<b>Donations - Library Fund</b>				
OCMC	0.00	300.00	-300.00	0.0%
Associate Alumni Donations	200.00	1,000.00	-1,000.00	0.0%
Adopt a Seminarian	0.00	100.00	-100.00	200.0%
Interest & Dividends	0.00	500.00	-500.00	0.0%
Fr Kreta Scholarship Interest	1,212.19	1,700.00	-487.81	71.3%
Smerznak Scholarship Interest	35.06	0.00	35.06	100.0%
WF Investments	173.66	0.00	173.66	100.0%
Interest & Dividends - Other	371.31	400.00	-28.69	92.8%
<b>Total Interest &amp; Dividends</b>	<b>1,792.22</b>	<b>2,100.00</b>	<b>-307.78</b>	<b>85.3%</b>
<b>Chapel Donations</b>				
In Kind Good & Services	19.00	100.00	-81.00	19.0%
<b>Total Income</b>	<b>314,280.65</b>	<b>393,800.00</b>	<b>-79,519.35</b>	<b>79.8%</b>
<b>Expense</b>				
<b>Payroll Expenses</b>				
Wages	99,166.00	131,800.00	-32,634.00	75.2%
Payroll Taxes	7,586.25	9,600.00	-2,013.75	79.0%
Housing Allowance	7,350.00	8,400.00	-1,050.00	87.5%
Housing Provided	19,000.00	0.00	19,000.00	100.0%
<b>Total Payroll Expenses</b>	<b>133,102.25</b>	<b>149,800.00</b>	<b>-16,697.75</b>	<b>88.9%</b>



**St. Herman's Seminary**  
**Profit & Loss Budget vs. Actual**  
July 1, 2012 through May 15, 2013

	Jul 1, '12 - May 15, '13	Budget	\$ Over Budget	% of Budget
<b>Insurance</b>				
Health Ins & HSA	33,534.44	50,000.00	-16,465.56	67.1%
Workers Comp	2,054.00	1,800.00	254.00	114.1%
Insurance - Other	10,733.00	11,000.00	-267.00	97.6%
<b>Total Insurance</b>	<b>46,321.44</b>	<b>62,800.00</b>	<b>-16,478.56</b>	<b>73.8%</b>
Pension	6,504.00	7,500.00	-996.00	86.7%
Honorariums	500.00	600.00	-100.00	83.3%
Instructional Supplies	5,401.22	7,000.00	-1,598.78	77.2%
Dues & Subscriptions	204.95	250.00	-45.05	82.0%
Student Activities	0.00	400.00	-400.00	0.0%
Xerox Rental	3,428.78	4,000.00	-571.22	85.7%
Office Expense	2,578.64	3,500.00	-921.36	73.7%
Postage	1,413.91	3,300.00	-1,886.09	42.8%
Accounting Services	2,636.02	4,500.00	-1,863.98	58.6%
Audit Fees	0.00	8,100.00	-8,100.00	0.0%
Travel	2,763.30	2,000.00	763.30	138.2%
Professional Services	480.00	0.00	480.00	100.0%
Advertising	300.00	300.00	0.00	100.0%
Appeals & Publications	10,512.33	17,000.00	-6,487.67	61.8%
Hospitality	0.00	200.00	-200.00	0.0%
Vehicle Expense	1,670.47	500.00	1,170.47	334.1%
Taxes and Licenses	50.00	200.00	-150.00	25.0%
Library Fund Expenses	0.00	300.00	-300.00	0.0%
Equipment - Household	688.00	1,000.00	-312.00	68.8%
Food & Supplies	14,815.05	15,000.00	-184.95	98.8%
Registration & Training Fees	0.00	300.00	-300.00	0.0%
Maintenance & Repairs	8,053.10	8,000.00	53.10	100.7%
<b>Utilities</b>				
Electricity	12,649.43	17,000.00	-4,350.57	74.4%
Heating	40,158.46	50,000.00	-9,841.54	80.3%
Internet	1,591.09	1,500.00	91.09	106.1%
Telephone	3,014.70	4,000.00	-985.30	75.4%
Water/Sewer/Garbage	21,937.59	24,000.00	-2,062.41	91.4%
<b>Total Utilities</b>	<b>79,351.27</b>	<b>96,500.00</b>	<b>-17,148.73</b>	<b>82.2%</b>
<b>Total Expense</b>	<b>320,774.73</b>	<b>393,050.00</b>	<b>-72,275.27</b>	<b>81.6%</b>
<b>Net Ordinary Income</b>	<b>-6,494.08</b>	<b>750.00</b>	<b>-7,244.08</b>	<b>-865.9%</b>
<b>Net Income</b>	<b>-6,494.08</b>	<b>750.00</b>	<b>-7,244.08</b>	<b>-865.9%</b>

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Accrual Basis

**St. Herman's Seminary**  
**Balance Sheet**  
As of April 30, 2014

	<u>Apr 30, 14</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
First National	130,765.96
Wells Fargo Credit Card Deposit	6,245.41
Hsaas Savings Account FNBA	11,355.27
RBO Fr Kreta	6,256.93
<b>Total Checking/Savings</b>	<u>154,623.57</u>
<b>Other Current Assets</b>	
Petty Cash Fund	100.00
<b>Investments</b>	
BMO Harris Financial	297,227.00
Primerica Account	29,865.04
Wells Fargo	
WF - Cash and Sweep Accounts	2,477.96
WF invest - Stocks and Options	8,866.84
<b>Total Wells Fargo</b>	<u>11,344.80</u>
<b>Total Investments</b>	338,436.84
<b>Restricted Cash</b>	
LCBA/Smerznak School Acct # 97	1,128.08
LCBA/Fr Joe Kreta School #111	32,876.41
<b>Total Restricted Cash</b>	<u>34,004.49</u>
<b>Clearing Account</b>	750.00
<b>Total Other Current Assets</b>	<u>373,291.33</u>
<b>Total Current Assets</b>	527,914.90
<b>Fixed Assets</b>	
Land, Building & Equipment	1,199,271.80
Chapel	202,691.57
Library Acquisitions	69,547.44
Icons	2,100.00
Accumulated Depreciation	-1,100,757.52
<b>Total Fixed Assets</b>	<u>372,853.29</u>
<b>Other Assets</b>	
Gain/Loss invest Old Acct	-6,871.74
<b>Total Other Assets</b>	<u>-6,871.74</u>
<b>TOTAL ASSETS</b>	<u><u>893,896.45</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Accounts Payable	3,080.00
<b>Total Accounts Payable</b>	<u>3,080.00</u>
<b>Other Current Liabilities</b>	
Housing Deposit	2,479.40
Payroll Liabilities	7,600.00
<b>Total Other Current Liabilities</b>	<u>10,079.40</u>
<b>Total Current Liabilities</b>	<u>13,159.40</u>
<b>Total Liabilities</b>	13,159.40

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Accrual Basis

**St. Herman's Seminary**  
**Balance Sheet**  
As of April 30, 2014

	<u>Apr 30, 14</u>
<b>Equity</b>	
<b>Perm. Restricted Net Assets</b>	
Primerica Initial Investment	25,000.00
Fr Joe Kreta Scholarship Fund	<u>27,500.00</u>
<b>Total Perm. Restricted Net Assets</b>	52,500.00
<b>Unrestricted Net Assets</b>	469,275.46
<b>Net Income</b>	<u>358,961.59</u>
<b>Total Equity</b>	<u>880,737.05</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>893,898.45</u></u>

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Accrual Basis

## St. Herman's Seminary Profit & Loss Budget vs. Actual July 2013 through April 2014

Ordinary Income/Expense	Jul '13 - Apr 14	Budget	\$ Over Budget	% of Budget
<b>Income</b>				
Contributions & Donations	485,567.25	250,000.00	235,567.25	194.2%
Bequests	87,498.55	10,000.00	77,498.55	875.0%
Kouialeff Scholarship	10,000.00	10,000.00	0.00	100.0%
Sidor Scholarship	16,000.00	16,000.00	0.00	100.0%
Housing Support	58,657.05	52,000.00	6,657.05	112.8%
Summer Housing	0.00	1,600.00	-1,600.00	0.0%
Tuition and Fees	325.00	100.00	225.00	325.0%
Scholarships	0.00	10,000.00	-10,000.00	0.0%
<b>Fundraising</b>				
Board	10,064.00	7,500.00	2,564.00	134.2%
Dean & Faculty	0.00	7,500.00	-7,500.00	0.0%
Fundraising - Other	0.00	1,500.00	-1,500.00	0.0%
<b>Total Fundraising</b>	<b>10,064.00</b>	<b>16,500.00</b>	<b>-6,436.00</b>	<b>61.0%</b>
OCA 1% Seminary Appeal	1,728.01			
Associate Alumni Donations	180.00	200.00	-20.00	90.0%
<b>Interest &amp; Dividends</b>				
Fr Kreta Scholarship Interest	1,068.55	1,100.00	-31.45	97.1%
Smerznak Scholarship Interest	32.58			
WF Investments	195.54			
Interest & Dividends - Other	368.05	550.00	-181.95	66.9%
<b>Total Interest &amp; Dividends</b>	<b>1,664.72</b>	<b>1,650.00</b>	<b>14.72</b>	<b>100.9%</b>
Chapel Donations	123.28	50.00	73.28	246.5%
Scholarship Contributions	39,100.00			
RADACT Training	3,650.00			
<b>Total Income</b>	<b>714,555.84</b>	<b>368,100.00</b>	<b>346,455.84</b>	<b>194.1%</b>
<b>Expense</b>				
<b>Payroll Expenses</b>				
Wages	100,776.44	131,800.00	-31,023.56	78.5%
Payroll Taxes	7,709.48	9,800.00	-2,090.52	78.7%
Housing Allowance	7,000.00	8,400.00	-1,400.00	83.3%
Payroll Expenses - Other	28.10			
<b>Total Payroll Expenses</b>	<b>115,515.00</b>	<b>150,000.00</b>	<b>-34,485.00</b>	<b>77.0%</b>
<b>Insurance</b>				
Health Ins & HSA	32,310.00	50,000.00	-17,690.00	64.6%
Workers Comp	0.00	2,100.00	-2,100.00	0.0%
Insurance - Other	13,590.00	10,700.00	2,890.00	127.0%
<b>Total Insurance</b>	<b>45,900.00</b>	<b>62,800.00</b>	<b>-16,900.00</b>	<b>73.1%</b>
Pension	6,829.20	7,000.00	-170.80	97.6%
Honorariums	0.00	600.00	-600.00	0.0%
Instructional Supplies	6,779.44	5,500.00	1,279.44	123.3%
Dues & Subscriptions	125.00	200.00	-75.00	62.5%
Student Activities	50.00			
Xerox Rental	2,585.11	4,000.00	-1,414.89	64.6%
Office Expense	3,266.24	3,000.00	266.24	108.9%
Postage	1,094.12	1,700.00	-605.88	64.4%
Accounting Services	3,153.60	2,900.00	253.60	108.7%
Audit Fees	18,092.01	14,900.00	3,192.01	121.4%
Travel	7,897.90	5,000.00	2,897.90	158.0%
Professional Services	925.00	3,200.00	-2,275.00	28.9%
Advertising	400.00	300.00	100.00	133.3%
Appeals & Publications	6,165.34	10,700.00	-4,534.66	57.6%
Vehicle Expense	146.90	600.00	-453.10	24.5%
Taxes and Licenses	172.54	100.00	72.54	172.5%
Library Fund Expenses	0.00	300.00	-300.00	0.0%
Equipment - Household	10,899.09	600.00	10,299.09	1,816.5%
Food & Supplies	22,465.00	20,400.00	2,065.00	110.1%
Registration & Training Fees	0.00	3,000.00	-3,000.00	0.0%
Maintenance & Repairs	18,269.27	9,000.00	9,269.27	203.0%
RADACT	3,394.00			

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 Accrual Basis

**St. Herman's Seminary**  
**Profit & Loss Budget vs. Actual**  
 July 2013 through April 2014

	<u>Jul '13 - Apr 14</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
<b>Utilities</b>				
Electricity	11,142.18	13,400.00	-2,257.82	83.2%
Heating	35,811.81	48,000.00	-12,188.19	74.6%
Internet	1,529.91	1,600.00	-70.09	95.6%
Telephone	3,025.79	3,600.00	-574.21	84.0%
Water/Sewer/Garbage	22,359.80	25,900.00	-3,540.20	86.3%
<b>Total Utilities</b>	<u>73,869.49</u>	<u>92,500.00</u>	<u>-18,630.51</u>	<u>79.9%</u>
<b>Total Expense</b>	<u>347,994.25</u>	<u>398,300.00</u>	<u>-50,305.75</u>	<u>87.4%</u>
<b>Net Ordinary Income</b>	<u>366,561.59</u>	<u>-30,200.00</u>	<u>396,761.59</u>	<u>-1,213.8%</u>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
Housing Provided (W2 Purpose)	11,400.00			
<b>Total Other Income</b>	<u>11,400.00</u>			
<b>Other Expense</b>				
Housing Provided Ex(W2 Purpose)	19,000.00			
<b>Total Other Expense</b>	<u>19,000.00</u>			
<b>Net Other Income</b>	<u>-7,600.00</u>			
<b>Net Income</b>	<u><u>358,961.59</u></u>	<u><u>-30,200.00</u></u>	<u><u>389,161.59</u></u>	<u><u>-1,188.6%</u></u>