



**St. Louis, Missouri**  
**July 23-27, 2018**

## **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 19th All-American Council to be held in St. Louis, MO from July 23 through 27, 2018.

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 three-year 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 2017 Financial Report; Audited Financial Statements for 2014, 2015 and 2016
2. Holy Myrrhbearers Monastery – Internal Financials for the years 2015-2017
3. New Skete Monasteries – Balance Sheets for 2015 through 2017
4. The Monks of New Skete –Balance Sheets for 2015 through 2017
5. Nuns of New Skete – Internal Financial Statements for 2015-2017
6. St. Catherine's Representation Church Moscow, Russia – Internal Financial Statements for 2016, 2017 and Q1-2018.
7. St Tikhon's Monastery 2015 through 2017 Financial Reports
8. St Tikhon's Orthodox Theological Seminary 2015 through 2017 Audited Financial Statements
9. St Vladimir's Orthodox Theological Seminary 2015 through 2017 Audited Financial Statements

# **1. ORTHODOX CHURCH IN AMERICA FINANCIAL STATEMENTS**

- A. Internal 2017 Balance Sheet and Statement of Activities
- B. Financial Statements and Auditor's Report for the Year Ended December 31, 2014
- C. Financial Statements and Auditor's Report for the Year Ended December 31, 2015
- D. Financial Statements and Auditor's Report for the Year Ended December 31, 2016

The Orthodox Church in America			
		Balance Sheet	
As of December 31, 2017 and 2016			
		12/31/2017	12/31/2016
Assets			
Cash and Cash Equivalents	\$	342,912	\$ 181,237
Accounts Receivable	\$	274,447	\$ 213,523
Other Current Asset	\$	17,154	\$ 14,641
Fixed Asset	\$	811,946	\$ 813,956
Accumulated Depreciation	\$	(563,196)	\$ (579,854)
Fixed Asset, net	\$	248,750	\$ 234,103
Total Investments	\$	2,647,414	\$ 2,480,604
Total Assets	\$	3,530,678	\$ 3,124,108
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$	143,836	\$ 82,337
Accrued Expenses	\$	72,039	\$ 50,003
Automobile Loan	\$	-	\$ 1,764
Retirement Obligation	\$	38,000	\$ 40,637
Unitrust Liability	\$	118,194	\$ 122,169
Other Liabilities	\$	327	\$ 327
Total Liabilities	\$	372,396	\$ 297,237
Net Assets			
Unrestricted Net Assets	\$	130,516	\$ 126,478
Temporarily Restricted Net Assets	\$	1,993,650	\$ 1,669,036
Permanently Restricted Net Assets	\$	1,034,116	\$ 1,031,351
Net Assets	\$	3,158,282	\$ 2,826,865
Total Liabilities and Net Assets	\$	3,530,678	\$ 3,124,102
BEGINNING BALANCE WITH CURRENT YEAR		\$ 2,826,866	\$ 2,547,256
NET SURPLUS/(DEFICIT)		\$ 331,416	\$ 279,610
ENDING NET ASSETS		\$ 3,158,282	\$ 2,826,866



	The Orthodox Church in America					
	Statement of Activities					
	For the twelve months period ended 12/31/17					
			Temporarily	Permanently		
		Unrestricted	Restricted	Restricted		Total
<b>Revenues</b>						
10-4207-05	Administration-Donated Services - Revenue Side	\$2,400	\$0	\$0		\$2,400
10-4345-05	Administration-Individ, Business Contributions	\$30,368	\$0	\$0		\$30,368
10-4345-08	Archives-Individ, Business Contributions	\$1,025	\$0	\$0		\$1,025
10-4345-10	Chapel-Individ, Business Contributions	\$10,304	\$0	\$0		\$10,304
10-4345-15	Metropolitan's Office-Individ, Business Contribution	\$1,000	\$0	\$0		\$1,000
10-4345-80	Ministries-Individ, Business Contributions	\$1,800	\$0	\$0		\$1,800
10-4350-10	Chapel-Appeals	\$476	\$0	\$0		\$476
10-4503-05	Administration-Interest-Savings, Short-term CD	\$85	\$0	\$0		\$85
10-4640-05	Administration-Other Types of Income	\$5	\$0	\$0		\$5
10-4640-31	OCPC-Other Types of Income	\$3,480	\$0	\$0		\$3,480
10-4643-05	Administration-Miscellaneous Revenue	\$6,918	\$0	\$0		\$6,918
10-4645-05	Administration-Desk Calendar Revenue	\$4,905	\$0	\$0		\$4,905
10-4722-05	Administration-Member Assessments	\$1,797,731	\$0	\$0		\$1,797,731
10-4722-10	Chapel-Member Assessments	\$105	\$0	\$0		\$105
10-4724-39	Strategic Planning-Program Service Fees	\$10,725	\$0	\$0		\$10,725
10-4724-80	Ministries-Program Service Fees	\$5,800	\$0	\$0		\$5,800
10-4902-80	Ministries-Special Events Sales (Nongift)	\$443	\$0	\$0		\$443
20-4345-20	SOCA-Individ, Business Contributions	\$61,092	\$0	\$0		\$61,092
20-4345-25	Charity-Individ, Business Contributions	\$0	\$50	\$0		\$50
20-4345-50	All American-Individ, Business Contributions	\$0	\$5,000	\$0		\$5,000
20-4346-05	Administration-Legacies and Bequests	\$33,011	\$109,238	\$0		\$142,249
20-4350-25	Charity-Appeals	\$0	\$2,359	\$0		\$2,359
20-4350-30	Missions and Planting Gra-Appeals	\$0	\$2,820	\$0		\$2,820
20-4350-40	Seminaries-Appeals	\$0	\$2,410	\$0		\$2,410
20-4502-90	Trusts-Dividend, Interest (Securities)	\$0	\$32,125	\$0		\$32,125
20-4503-90	Trusts-Interest-Savings, Short-term CD	\$0	\$8,064	\$0		\$8,064
20-4505-90	Trusts-Other Investment Revenue	\$0	\$52,551	\$0		\$52,551
20-4722-50	All American-Member Assessments	\$0	\$4,400	\$0		\$4,400
20-4900-50	All American-Special Events Income	\$0	\$2,650	\$0		\$2,650
30-4346-90	Trusts-Legacies and Bequests	\$0	\$0	\$2,765		\$2,765
	<b>Total Revenues</b>	<b>\$1,971,672</b>	<b>\$221,666</b>	<b>\$2,765</b>		<b>\$2,196,103</b>
<b>Expenses</b>						
10-6050-05	Administration-Distributions	\$16,925	\$0	\$0		\$16,925
10-6050-10	Chapel-Distributions	\$900	\$0	\$0		\$900
10-6050-25	Charity-Distributions	\$240	\$0	\$0		\$240
10-6050-40	Seminaries-Distributions	\$6,999	\$0	\$0		\$6,999
10-6050-80	Ministries-Distributions	\$3,250	\$0	\$0		\$3,250
10-6091-05	Administration-Bad Debts	\$25	\$0	\$0		\$25
10-6092-05	Administration-Business Registration Fees	\$20	\$0	\$0		\$20
10-6092-35	Sexual Misconduct Committ-Business Registration F	\$599	\$0	\$0		\$599
10-6095-05	Administration-Bank Fees	\$2,931	\$0	\$0		\$2,931
10-6095-10	Chapel-Bank Fees	\$25	\$0	\$0		\$25
10-6095-17	St Catherine's Representa-Bank Fees	\$3	\$0	\$0		\$3
10-6096-05	Administration-Dues	\$1,986	\$0	\$0		\$1,986
10-6096-07	Executive-Dues	\$45	\$0	\$0		\$45
10-6096-09	External Affairs-Dues	\$11,326	\$0	\$0		\$11,326
10-6096-15	Metropolitan's Office-Dues	\$1,422	\$0	\$0		\$1,422
10-6096-80	Ministries-Dues	\$1,175	\$0	\$0		\$1,175
10-6105-05	Administration-Food	\$2,628	\$0	\$0		\$2,628
10-6105-08	Archives-Food	\$118	\$0	\$0		\$118
10-6105-10	Chapel-Food	\$2,650	\$0	\$0		\$2,650
10-6105-14	Holy Synod-Food	\$4,868	\$0	\$0		\$4,868
10-6105-16	Metropolitan Council-Food	\$1,679	\$0	\$0		\$1,679
10-6110-05	Administration-Flowers/Candles/Liturgical item	\$9,043	\$0	\$0		\$9,043
10-6110-10	Chapel-Flowers/Candles/Liturgical item	\$3,430	\$0	\$0		\$3,430
10-6110-15	Metropolitan's Office-Flowers/Candles/Liturgical ite	\$1,766	\$0	\$0		\$1,766
10-6115-05	Administration-Office Expense - Other	(\$1,000)	\$0	\$0		(\$1,000)

			Temporarily	Permanently	
		Unrestricted	Restricted	Restricted	Total
10-6210-05	Administration-Contract Services	\$11,569	\$0	\$0	\$11,569
10-6211-05	Administration-Accounting Fees	\$18,100	\$0	\$0	\$18,100
10-6211-90	Trusts-Accounting Fees	\$700	\$0	\$0	\$700
10-6214-05	Administration-Legal Fees	\$21,179	\$0	\$0	\$21,179
10-6215-05	Administration-Outside Contract Services	\$26,500	\$0	\$0	\$26,500
10-6215-08	Archives-Outside Contract Services	\$36,717	\$0	\$0	\$36,717
10-6215-10	Chapel-Outside Contract Services	\$3,900	\$0	\$0	\$3,900
10-6215-11	Property Support-Outside Contract Services	\$162	\$0	\$0	\$162
10-6215-12	TOC-Outside Contract Services	\$24,990	\$0	\$0	\$24,990
10-6215-13	Communications-Outside Contract Services	\$40,746	\$0	\$0	\$40,746
10-6215-14	Holy Synod-Outside Contract Services	\$516	\$0	\$0	\$516
10-6215-17	St Catherine's Representa-Outside Contract Services	\$600	\$0	\$0	\$600
10-6215-34	Ordination Candidate Test-Outside Contract Services	\$15,071	\$0	\$0	\$15,071
10-6215-35	Sexual Misconduct Committ-Outside Contract Services	\$30,717	\$0	\$0	\$30,717
10-6215-39	Strategic Planning-Outside Contract Services	\$10,416	\$0	\$0	\$10,416
10-6215-80	Ministries-Outside Contract Services	\$5,770	\$0	\$0	\$5,770
10-6273-11	Property Support-Real Estate, Personal Prop Tax	\$37,746	\$0	\$0	\$37,746
10-6284-10	Chapel-Equip Rental and Maintenance	\$1,298	\$0	\$0	\$1,298
10-6284-11	Property Support-Equip Rental and Maintenance	\$385	\$0	\$0	\$385
10-6286-11	Property Support-Lawn	\$32,960	\$0	\$0	\$32,960
10-6287-11	Property Support-Exterminating	\$440	\$0	\$0	\$440
10-6288-11	Property Support-Garbage Removal	\$1,920	\$0	\$0	\$1,920
10-6290-11	Property Support-Repairs expense	\$1,022	\$0	\$0	\$1,022
10-6501-05	Administration-Books, Subscriptions, Dues	\$150	\$0	\$0	\$150
10-6502-05	Administration-Postage, Mailing Service	\$5,508	\$0	\$0	\$5,508
10-6502-07	Executive-Postage, Mailing Service	\$24	\$0	\$0	\$24
10-6502-14	Holy Synod-Postage, Mailing Service	\$218	\$0	\$0	\$218
10-6502-15	Metropolitan's Office-Postage, Mailing Service	\$12	\$0	\$0	\$12
10-6502-17	St Catherine's Representa-Postage, Mailing Service	\$25	\$0	\$0	\$25
10-6502-80	Ministries-Postage, Mailing Service	\$6	\$0	\$0	\$6
10-6503-05	Administration-Printing and Copying	\$4,187	\$0	\$0	\$4,187
10-6504-05	Administration-Supplies	\$4,717	\$0	\$0	\$4,717
10-6504-07	Executive-Supplies	\$56	\$0	\$0	\$56
10-6504-08	Archives-Supplies	\$867	\$0	\$0	\$867
10-6504-10	Chapel-Supplies	\$1,477	\$0	\$0	\$1,477
10-6504-11	Property Support-Supplies	\$2,190	\$0	\$0	\$2,190
10-6504-14	Holy Synod-Supplies	\$794	\$0	\$0	\$794
10-6504-15	Metropolitan's Office-Supplies	\$329	\$0	\$0	\$329
10-6504-20	FOS-Supplies	\$384	\$0	\$0	\$384
10-6504-80	Ministries-Supplies	\$1,735	\$0	\$0	\$1,735
10-6505-05	Administration-Telephone, Telecommunications	\$2,178	\$0	\$0	\$2,178
10-6505-09	External Affairs-Telephone, Telecommunications	\$455	\$0	\$0	\$455
10-6506-09	External Affairs-Internet	\$330	\$0	\$0	\$330
10-6507-05	Administration-Equipment leasing	\$23,845	\$0	\$0	\$23,845
10-6511-05	Administration-Advertising Expenses	\$1,000	\$0	\$0	\$1,000
10-6512-05	Administration-Insurance - Liability, D and O	\$421	\$0	\$0	\$421
10-6515-80	Ministries-Memberships	\$12,000	\$0	\$0	\$12,000
10-6600-05	Administration-Salaries	\$220,664	\$0	\$0	\$220,664
10-6600-07	Executive-Salaries	\$353,732	\$0	\$0	\$353,732
10-6600-08	Archives-Salaries	\$64,969	\$0	\$0	\$64,969
10-6600-09	External Affairs-Salaries	\$36,149	\$0	\$0	\$36,149
10-6600-11	Property Support-Salaries	\$47,427	\$0	\$0	\$47,427
10-6600-35	Sexual Misconduct Committ-Salaries	\$40,950	\$0	\$0	\$40,950
10-6605-05	Administration-Payroll Expense	\$1,512	\$0	\$0	\$1,512
10-6605-17	St Catherine's Representa-Payroll Expense	\$20,000	\$0	\$0	\$20,000
10-6606-05	Administration-FICA/MED	\$16,881	\$0	\$0	\$16,881
10-6606-07	Executive-FICA/MED	\$3,965	\$0	\$0	\$3,965
10-6606-08	Archives-FICA/MED	\$4,970	\$0	\$0	\$4,970
10-6606-11	Property Support-FICA/MED	\$3,628	\$0	\$0	\$3,628
10-6606-35	Sexual Misconduct Committ-FICA/MED	\$3,169	\$0	\$0	\$3,169
10-6607-05	Administration-Unemployment Ins W/H	\$198	\$0	\$0	\$198
10-6607-07	Executive-Unemployment Ins W/H	\$1,055	\$0	\$0	\$1,055
10-6607-08	Archives-Unemployment Ins W/H	\$182	\$0	\$0	\$182
10-6607-09	External Affairs-Unemployment Ins W/H	\$101	\$0	\$0	\$101

			Temporarily	Permanently	
		Unrestricted	Restricted	Restricted	Total
10-6607-11	Property Support-Unemployment Ins W/H	\$133	\$0	\$0	\$133
10-6607-35	Sexual Misconduct Committ-Unemployment Ins W/H	\$115	\$0	\$0	\$115
10-6609-05	Administration-Payroll Processing Fees	\$1,914	\$0	\$0	\$1,914
10-6610-05	Administration-Health Insurance	\$36,094	\$0	\$0	\$36,094
10-6610-07	Executive-Health Insurance	\$33,761	\$0	\$0	\$33,761
10-6610-08	Archives-Health Insurance	\$26,822	\$0	\$0	\$26,822
10-6610-11	Property Support-Health Insurance	\$9,393	\$0	\$0	\$9,393
10-6610-15	Metropolitan's Office-Health Insurance	\$751	\$0	\$0	\$751
10-6610-35	Sexual Misconduct Committ-Health Insurance	\$9,394	\$0	\$0	\$9,394
10-6620-05	Administration-Life Insurance	\$5,087	\$0	\$0	\$5,087
10-6640-05	Administration-Workers Compensation/Disability	\$6,033	\$0	\$0	\$6,033
10-6640-07	Executive-Workers Compensation/Disability	\$133	\$0	\$0	\$133
10-6640-08	Archives-Workers Compensation/Disability	\$26	\$0	\$0	\$26
10-6640-09	External Affairs-Workers Compensation/Disability	\$26	\$0	\$0	\$26
10-6640-11	Property Support-Workers Compensation/Disability	\$55	\$0	\$0	\$55
10-6640-35	Sexual Misconduct Committ-Workers Compensation	\$55	\$0	\$0	\$55
10-6650-05	Administration-Stipends	\$8,763	\$0	\$0	\$8,763
10-6650-10	Chapel-Stipends	\$2,250	\$0	\$0	\$2,250
10-6650-13	Communications-Stipends	\$70	\$0	\$0	\$70
10-6650-14	Holy Synod-Stipends	\$14,400	\$0	\$0	\$14,400
10-6650-15	Metropolitan's Office-Stipends	\$300	\$0	\$0	\$300
10-6650-17	St Catherine's Representa-Stipends	\$1,750	\$0	\$0	\$1,750
10-6650-80	Ministries-Stipends	\$53,475	\$0	\$0	\$53,475
10-6667-15	Metropolitan's Office-Chaplains - Stipends	\$6,000	\$0	\$0	\$6,000
10-6670-05	Administration-Computer expense	\$3,854	\$0	\$0	\$3,854
10-6670-13	Communications-Computer expense	\$4,929	\$0	\$0	\$4,929
10-6680-05	Administration-Pension expense	\$15,267	\$0	\$0	\$15,267
10-6680-07	Executive-Pension expense	\$25,078	\$0	\$0	\$25,078
10-6680-08	Archives-Pension expense	\$5,186	\$0	\$0	\$5,186
10-6680-09	External Affairs-Pension expense	\$2,683	\$0	\$0	\$2,683
10-6680-11	Property Support-Pension expense	\$3,782	\$0	\$0	\$3,782
10-6701-11	Property Support-Heating oil	\$10,177	\$0	\$0	\$10,177
10-6703-11	Property Support-Water	\$130	\$0	\$0	\$130
10-6705-11	Property Support-Electricity	\$12,286	\$0	\$0	\$12,286
10-6705-17	St Catherine's Representa-Electricity	\$4,096	\$0	\$0	\$4,096
10-6720-05	Administration-Telephone	\$4,044	\$0	\$0	\$4,044
10-6720-09	External Affairs-Telephone	\$3,907	\$0	\$0	\$3,907
10-6725-05	Administration-Mobil Phones	\$702	\$0	\$0	\$702
10-6725-07	Executive-Mobil Phones	\$3,897	\$0	\$0	\$3,897
10-6725-17	St Catherine's Representa-Mobil Phones	\$7	\$0	\$0	\$7
10-6727-05	Administration-Telecommunications	\$1,096	\$0	\$0	\$1,096
10-6733-05	Administration-Website	\$1,194	\$0	\$0	\$1,194
10-6733-13	Communications-Website	(\$1)	\$0	\$0	(\$1)
10-6733-20	SOCA-Website	\$469	\$0	\$0	\$469
10-6733-80	Ministries-Website	\$876	\$0	\$0	\$876
10-6750-11	Property Support-Insurance	\$35,713	\$0	\$0	\$35,713
10-6831-05	Administration-Conference, Convention, Meeting	\$2,262	\$0	\$0	\$2,262
10-6831-09	External Affairs-Conference, Convention, Meeting	\$345	\$0	\$0	\$345
10-6831-15	Metropolitan's Office-Conference, Convention, Meet	\$1,645	\$0	\$0	\$1,645
10-6831-80	Ministries-Conference, Convention, Meeting	\$635	\$0	\$0	\$635
10-6832-05	Administration-Travel	\$8,893	\$0	\$0	\$8,893
10-6832-07	Executive-Travel	\$1,244	\$0	\$0	\$1,244
10-6832-08	Archives-Travel	\$2,968	\$0	\$0	\$2,968
10-6832-09	External Affairs-Travel	\$14,276	\$0	\$0	\$14,276
10-6832-14	Holy Synod-Travel	\$18,800	\$0	\$0	\$18,800
10-6832-15	Metropolitan's Office-Travel	\$39,286	\$0	\$0	\$39,286
10-6832-16	Metropolitan Council-Travel	\$13,974	\$0	\$0	\$13,974
10-6832-17	St Catherine's Representa-Travel	\$22,063	\$0	\$0	\$22,063
10-6832-29	Theological Education Boa-Travel	\$516	\$0	\$0	\$516
10-6832-35	Sexual Misconduct Committ-Travel	(\$177)	\$0	\$0	(\$177)
10-6832-39	Strategic Planning-Travel	\$309	\$0	\$0	\$309
10-6832-50	All American-Travel	\$531	\$0	\$0	\$531
10-6832-80	Ministries-Travel	\$9,243	\$0	\$0	\$9,243
10-6833-05	Administration-Lodging	\$3,773	\$0	\$0	\$3,773

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
10-6833-07	Executive-Lodging	\$3,511	\$0	\$0	\$3,511
10-6833-08	Archives-Lodging	\$2,090	\$0	\$0	\$2,090
10-6833-09	External Affairs-Lodging	\$505	\$0	\$0	\$505
10-6833-14	Holy Synod-Lodging	\$8,446	\$0	\$0	\$8,446
10-6833-15	Metropolitan's Office-Lodging	\$3,333	\$0	\$0	\$3,333
10-6833-16	Metropolitan Council-Lodging	\$17,130	\$0	\$0	\$17,130
10-6833-17	St Catherine's Representa-Lodging	\$3,189	\$0	\$0	\$3,189
10-6833-29	Theological Education Boa-Lodging	\$220	\$0	\$0	\$220
10-6834-05	Administration-Meals	\$2,083	\$0	\$0	\$2,083
10-6834-07	Executive-Meals	\$887	\$0	\$0	\$887
10-6834-08	Archives-Meals	\$26	\$0	\$0	\$26
10-6834-09	External Affairs-Meals	\$79	\$0	\$0	\$79
10-6834-14	Holy Synod-Meals	\$13,592	\$0	\$0	\$13,592
10-6834-15	Metropolitan's Office-Meals	\$4,670	\$0	\$0	\$4,670
10-6834-16	Metropolitan Council-Meals	\$1,202	\$0	\$0	\$1,202
10-6834-17	St Catherine's Representa-Meals	\$4,122	\$0	\$0	\$4,122
10-6900-11	Property Support-Automobile	(\$80)	\$0	\$0	(\$80)
10-6900-15	Metropolitan's Office-Automobile	\$788	\$0	\$0	\$788
10-6901-11	Property Support-Auto insurance	\$2,002	\$0	\$0	\$2,002
10-6902-15	Metropolitan's Office-Auto repairs	\$828	\$0	\$0	\$828
10-6903-05	Administration-Auto gasoline	\$1,629	\$0	\$0	\$1,629
10-6903-11	Property Support-Auto gasoline	\$32	\$0	\$0	\$32
10-6990-11	Property Support-Depreciation expense	\$20,593	\$0	\$0	\$20,593
20-6050-25	Charity-Distributions	\$0	\$2,790	\$0	\$2,790
20-6050-30	Missions and Planting Gra-Distributions	\$101,500	\$0	\$0	\$101,500
20-6050-40	Seminaries-Distributions	\$0	\$2,325	\$0	\$2,325
20-6050-80	Ministries-Distributions	\$0	\$800	\$0	\$800
20-6050-90	Trusts-Distributions	\$0	\$7,413	\$0	\$7,413
20-6051-25	Charity-Charity distribution	\$0	\$2,000	\$0	\$2,000
20-6059-90	Trusts-Distrib. - L. Kavalenko	\$0	\$1,879	\$0	\$1,879
20-6095-25	Charity-Bank Fees	\$0	\$33	\$0	\$33
20-6105-50	All American-Food	\$0	\$52	\$0	\$52
20-6215-50	All American-Outside Contract Services	\$0	\$5,107	\$0	\$5,107
20-6217-90	Trusts-Investment Advisory fees	\$0	\$12,189	\$0	\$12,189
20-6502-50	All American-Postage, Mailing Service	\$0	\$198	\$0	\$198
20-6504-30	Missions and Planting Gra-Supplies	\$0	\$550	\$0	\$550
20-6504-50	All American-Supplies	\$0	\$496	\$0	\$496
20-6650-50	All American-Stipends	\$0	\$6,000	\$0	\$6,000
20-6831-50	All American-Conference, Convention, Meeting	\$0	\$377	\$0	\$377
20-6832-30	Missions and Planting Gra-Travel	\$0	\$13,639	\$0	\$13,639
20-6832-50	All American-Travel	\$0	\$6,853	\$0	\$6,853
20-6833-30	Missions and Planting Gra-Lodging	\$0	\$8,737	\$0	\$8,737
20-6833-50	All American-Lodging	\$0	\$2,356	\$0	\$2,356
20-6834-30	Missions and Planting Gra-Meals	\$0	\$195	\$0	\$195
20-6834-50	All American-Meals	\$0	\$19	\$0	\$19
	<b>Total Expenses</b>	<b>\$1,968,072</b>	<b>\$74,007</b>	<b>\$0</b>	<b>\$2,042,079</b>
<b>Gains</b>					
20-7060-90	Trusts-Unrealized Gains and Losses	\$0	\$176,950	\$0	\$176,950
	<b>Total Gains</b>	<b>\$0</b>	<b>\$176,950</b>	<b>\$0</b>	<b>\$176,950</b>
<b>Losses</b>					
20-7500-90	Trusts-Change in value of unitrusts	(\$438)	\$0	\$0	(\$438)
	<b>Total Losses</b>	<b>(\$438)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$438)</b>
	<b>BEGINNING NET ASSETS</b>	<b>\$126,478</b>	<b>\$1,669,036</b>	<b>\$1,031,351</b>	<b>\$2,826,865</b>
	<b>NET SURPLUS/(DEFICIT)</b>	<b>\$4,038</b>	<b>\$324,609</b>	<b>\$2,765</b>	<b>\$331,412</b>
	<b>ENDING NET ASSETS</b>	<b>\$130,516</b>	<b>\$1,993,645</b>	<b>\$1,034,116</b>	<b>\$3,158,277</b>



THE ORTHODOX CHURCH IN AMERICA

Financial Statements  
With Independent Auditors' Report

December 31, 2014 and 2013

# 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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 audits 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 Orthodox Church in America as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

New York, New York  
October 22, 2015

# THE ORTHODOX CHURCH IN AMERICA

## Statements of Financial Position

	December 31,	
	2014	2013
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 889,199	\$ 840,095
Assessments and other accounts receivable, net	92,505	160,057
Bequests receivable	554,747	525,025
Prepaid expenses	24,856	23,027
Investments:		
Unrestricted	30,099	28,674
Archives fund	209,563	-
Endowment pool fund	477,396	472,611
St. Andrew endowment fund	103,310	102,679
FOS endowment fund	68,924	68,543
Annuity and unitrust agreements	168,204	381,122
Cash restricted for endowment	90,094	90,094
Property and equipment, net	296,887	259,762
<b>Total Assets</b>	<b>\$ 3,005,784</b>	<b>\$ 2,951,689</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 87,139	\$ 124,303
Deferred income	52,966	-
Loans payable	43,246	35,598
Retirement obligation	47,710	54,178
Annuity and unitrust agreements	134,035	186,098
<b>Total liabilities</b>	<b>365,096</b>	<b>400,177</b>
Net assets:		
Unrestricted:		
Undesignated (deficit)	(189,955)	(233,871)
Invested in property and equipment	274,839	259,762
Total unrestricted	84,884	25,891
Temporarily restricted	1,529,106	1,502,372
Permanently restricted	1,026,698	1,023,249
<b>Total net assets</b>	<b>2,640,688</b>	<b>2,551,512</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,005,784</b>	<b>\$ 2,951,689</b>

See notes to financial statements



## THE ORTHODOX CHURCH IN AMERICA

### Statements of Activities

	Year Ended December 31,							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS:								
Support:								
General contributions	\$ 71,614	\$ 3,000	\$ 2,480	\$ 77,094	\$ 127,572	\$ 5,520	\$ -	\$ 133,092
Fellowship of Orthodox Stewards	-	34,628	-	34,628	-	60,435	-	60,435
Missions	-	3,599	-	3,599	-	27,618	-	27,618
Seminary	-	10,363	-	10,363	-	27,144	-	27,144
Charity	-	1,316	-	1,316	-	1,487	-	1,487
Donated services	280,400	-	-	280,400	-	-	-	-
Total support	352,014	52,906	2,480	407,400	127,572	122,204	-	249,776
Revenue:								
Assessments	1,943,943	-	-	1,943,943	2,001,762	-	-	2,001,762
Other revenue	28,689	-	-	28,689	68,585	-	-	68,585
Total revenue	1,972,632	-	-	1,972,632	2,070,347	-	-	2,070,347
Reclassifications:								
Satisfaction of restrictions	77,151	(77,151)	-	-	129,825	(129,825)	-	-
Total Operating Support, Revenue and and Reclassifications	2,401,797	(24,245)	2,480	2,380,032	2,327,744	(7,621)	-	2,320,123

(continued)

See notes to financial statements

## THE ORTHODOX CHURCH IN AMERICA

### Statements of Activities (continued)

	Year Ended December 31,							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING EXPENSES:								
Program services	1,167,994	-	-	1,167,994	905,682	-	-	905,682
Supporting activities:								
General and administrative	1,022,226	-	-	1,022,226	1,312,494	-	-	1,312,494
Development	158,540	-	-	158,540	183,511	-	-	183,511
Total supporting services	1,180,766	-	-	1,180,766	1,496,005	-	-	1,496,005
Total Operating Expenses	2,348,760	-	-	2,348,760	2,401,687	-	-	2,401,687
Change in Net Assets From Operations	53,037	(24,245)	2,480	31,272	(73,943)	(7,621)	-	(81,564)
OTHER CHANGES IN NET ASSETS:								
All-American council income	-	50	-	50	-	-	-	-
Net investment income	3,082	4,576	-	7,658	6,075	322	-	6,397
Change in actuarial value of annuities and unitrusts	2,874	46,353	969	50,196	15,837	3,250	1,289	20,376
Change in Net Assets	58,993	26,734	3,449	89,176	(52,031)	(4,049)	1,289	(54,791)
Net Assets, Beginning of Year	25,891	1,502,372	1,023,249	2,551,512	77,922	1,506,421	1,021,960	2,606,303
Net Assets, End of Year	\$ 84,884	\$ 1,529,106	\$ 1,026,698	\$ 2,640,688	\$ 25,891	\$ 1,502,372	\$ 1,023,249	\$ 2,551,512

See notes to financial statements

# THE ORTHODOX CHURCH IN AMERICA

## Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 89,176	\$ (54,791)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,520	28,434
Amortization of mortgage closing costs	-	3,075
Net realized and unrealized (gain) loss on investments	1,229	4,699
Assumption of loan payable	-	42,798
Change in actuarial value of annuities and unitrusts	(50,196)	(20,376)
Changes in:		
Assessments and other accounts receivable, net	67,552	41,417
Bequests receivable	(29,722)	39,296
Prepaid expenses	(1,829)	(8,285)
Accounts payable and accrued expenses	(37,164)	3,102
Retirement obligation	(6,468)	(14,072)
Deferred revenue	52,966	-
Net Cash Provided by Operating Activities	<u>118,064</u>	<u>65,297</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	544,332	369,471
Purchase of investments	(551,295)	(377,569)
Purchase of property and equipment	(37,896)	-
Net Cash Used by Investing Activities	<u>(44,859)</u>	<u>(8,098)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of loan principal	(24,101)	(66,816)
Net Cash Used by Financing Activities	<u>(24,101)</u>	<u>(66,816)</u>
Change in Cash and Cash Equivalents	49,104	(9,617)
Cash and Cash Equivalents, Beginning of Year	<u>840,095</u>	<u>849,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 889,199</u>	<u>\$ 840,095</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid for interest on debt - none capitalized	<u>\$ -</u>	<u>\$ 1,285</u>
Purchases of equipment	\$ 69,645	\$ -
Less: Equipment purchases funded by debt	<u>(31,749)</u>	<u>-</u>
Cash paid for equipment	<u>\$ 37,896</u>	<u>\$ -</u>

See notes to financial statements

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

### 1. NATURE OF ORGANIZATION:

The Orthodox Church in America (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, 2014 and 2013

### 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, 2014 and 2013

### 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 \$89,954 and \$93,032 at December 31, 2014 and 2013, respectively. The present value of the remaining future liability to be distributed by the Church at December 31, 2014 and 2013, is \$79,973 and \$83,314, 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 \$78,250 and \$288,090 at December 31, 2014 and 2013, 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 \$54,062 and \$102,784 at December 31, 2014 and 2013, 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, 2014 and 2013

### 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.

The Church recognizes donated services that meet the "specialized skills" requirements under current accounting standards in the statements of activities. The Church reported donated professional services of \$280,400 and \$-0- for the years ended December 31, 2014 and 2013, respectively, that meet current accounting standards.

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, 2014 and 2013, 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, 2014 and 2013, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain reclassifications were made to the 2013 financial statements in order to conform to the 2014 presentation. These reclassifications had no effect on the change in net assets.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following:

	December 31,	
	2014	2013
Funds set aside for satisfaction of donor restrictions	\$ 694,239	\$ 735,360
Unrestricted operating funds	136,656	42,682
Reserve account	39,384	39,366
St. Sergius Chapel account	18,920	22,687
	<u>\$ 889,199</u>	<u>\$ 840,095</u>

4. ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE:

Assessments and other accounts receivable consist of the following:

	December 31,	
	2014	2013
Assessments receivable	\$ 76,019	\$ 110,193
Other accounts receivable	16,486	49,864
	<u>\$ 92,505</u>	<u>\$ 160,057</u>

5. BEQUESTS RECEIVABLE:

The Church is a beneficiary in estates for which it was notified of prior to December 31, 2014. The total remaining funds that the Church expects to receive at December 31, 2014 and 2013, are \$554,747 and \$525,025, respectively. The remaining bequests receivable are expected to be collected during 2015.



# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

### 6. INVESTMENTS:

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

	December 31, 2014			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 381,117	\$ 381,117	\$ -	\$ -
Certificates of deposit	100,000	-	100,000	-
Negotiable certificates of deposit	170,032	-	170,032	-
U.S. Government agency obligations	158,581	158,581	-	-
Fixed income mutual funds	103,341	103,341	-	-
Annuity investments	89,954	-	89,954	-
Corporate bonds:				
BAA1 credit rating	13,884	-	13,884	-
A1 credit rating	7,621	-	7,621	-
AA3 credit rating	4,992	-	4,992	-
A2 credit rating	3,338	-	3,338	-
AA2 credit rating	2,773	-	2,773	-
A3 credit rating	2,211	-	2,211	-
Total corporate bonds	34,819	-	34,819	-
U.S. Government securities	12,860	12,860	-	-
Municipal bonds	5,163	5,163	-	-
Corporate stocks - consumer goods	1,629	1,629	-	-
	<u>\$ 1,057,496</u>	<u>\$ 662,691</u>	<u>\$ 394,805</u>	<u>\$ -</u>

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

### 6. INVESTMENTS, continued:

	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	-	-
	<u>\$ 1,053,629</u>	<u>\$ 542,187</u>	<u>\$ 511,442</u>	<u>\$ -</u>

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	<u>\$ -</u>

- (a) The Church's policy is to recognize transfers in and transfers out at 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, 2014 and 2013

### 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.

Investment income consists of the following:

	December 31,	
	2014	2013
Interest and dividends	\$ 13,046	\$ 15,212
Realized gain (loss)	-	(764)
Unrealized gain (loss)	(1,229)	(3,935)
Investment fees	(4,159)	(4,116)
	<u>\$ 7,658</u>	<u>\$ 6,397</u>

### 7. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2014	2013
Land	\$ 45,000	\$ 45,000
Buildings and improvements	531,783	531,783
Furniture, fixtures, and equipment	172,295	468,476
Software	33,000	33,000
	<u>782,078</u>	<u>1,078,259</u>
Less: accumulated depreciation	<u>(517,069)</u>	<u>(818,497)</u>
	265,009	259,762
Construction in progress	31,878	-
	<u>\$ 296,887</u>	<u>\$ 259,762</u>

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

### 8. LOANS PAYABLE:

Loans payable consist of the following:

	December 31,	
	2014	2013
Vehicle note payable, without interest, maturing in February 2017. Monthly principal payments amount to \$881.	\$ 22,048	\$ -

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.

	21,198	35,598
	\$ 43,246	\$ 35,598

A schedule of future minimum principal payments is as follows:

<u>Year ending December 31,</u>	
2015	\$ 24,984
2016	17,380
2017	882
	\$ 43,246

### 9. LEASE COMMITMENTS:

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$18,704 and \$21,838 for the years ending December 31, 2014 and 2013, respectively. Estimated future minimum lease payments by year and in the aggregate under the lease consists of the following:

<u>Year ending December 31,</u>	
2015	\$ 14,628
2016	7,932
	\$ 22,560

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

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, 2014 and 2013. The actuarially calculated liability for future payments under this obligation amounted to \$47,710 and \$54,178 at December 31, 2014 and 2013, respectively.

11. MULTIEMPLOYER PENSION PLAN:

Substantially all full-time employees participate in The Orthodox Church in America Pension Plan (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 \$53,001 and \$43,437 in 2014 and 2013, respectively. The contributions made by the Church represented approximately 2.39% and 2.35% of the total contributions made to the Plan in 2014 and 2013, 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, 2014 and 2013

### 11. MULTIEMPLOYER PENSION PLAN, continued:

Contributions from all employers to the Plan for December 31, 2014 and 2013, are as follows:

Pension Fund:	FEIN	2014	2013
Orthodox Church in America Pension Plan	06-1455789	\$ 2,216,045	\$ 1,846,621

As of December 31, 2014, the Plan's total net assets available for benefits were \$27,057,093, and the actuarial present value of accumulated Plan benefits was \$46,332,107. As of December 31, 2013, the Plan's total net assets available for benefits were \$27,315,378 and the actuarial present value of accumulated Plan benefits was \$42,144,166. As of December 31, 2014, the Plan was less than 65% funded.

### 12. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are as follows:

	December 31,			
	2013	Additions and Other Changes	Releases	2014
Mission appeal	\$ 953,852	\$ 3,599	\$ (25,599)	\$ 931,852
Archives fund	162,087	47,594	(119)	209,562
Restricted endowments excess earnings	142,757	2,530	(1,013)	144,274
General purpose endowment excess earnings	79,308	805	-	80,113
Charity	71,895	1,316	(2,407)	70,804
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Chaplain reserve	1,896	-	-	1,896
Seminary appeal	898	10,363	(9,780)	1,481
Other restricted purposes	823	37,678	(38,233)	268
	<u>\$ 1,502,372</u>	<u>\$ 103,885</u>	<u>\$ (77,151)</u>	<u>\$ 1,529,106</u>

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

### 12. TEMPORARILY RESTRICTED NET ASSETS, continued:

	December 31,			
	2012	Additions and Other Changes	Releases	2013
Mission appeal	\$ 929,556	\$ 27,618	\$ (3,322)	\$ 953,852
Archives fund	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
	<u>\$ 1,506,421</u>	<u>\$ 125,776</u>	<u>\$ (129,825)</u>	<u>\$ 1,502,372</u>

### 13. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of the following:

	December 31,	
	2014	2013
Donor restricted endowments:		
General purposes	\$ 226,748	\$ 224,268
Restricted purposes	775,762	775,762
Permanently restricted charitable remainder unitrust	24,188	23,219
	<u>\$ 1,026,698</u>	<u>\$ 1,023,249</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, 2014 and 2013

### 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 \$486,611 and \$487,623 at December 31, 2014 and 2013, respectively. \$401,500 of these deficiencies at both December 31, 2014 and 2013, are the result of borrowing from the endowment fund assets for operations, and the remaining \$85,111 and \$86,123 at December 31, 2014 and 2013, respectively, resulted from realized losses that occurred shortly after the market downturn in 2008 and have continued through current. 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, 2014 and 2013

### 14. ENDOWMENTS, continued:

Endowment net assets composition by type of fund as of December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments for:				
General purposes	\$ (139,144)	\$ 80,112	\$ 226,748	\$ 167,716
Restricted purposes	(347,467)	144,274	775,762	572,569
Total endowment funds	<u>\$ (486,611)</u>	<u>\$ 224,386</u>	<u>\$ 1,002,510</u>	<u>\$ 740,285</u>

Changes in endowment net assets for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	<u>\$ (487,623)</u>	<u>\$ 222,065</u>	<u>\$ 1,000,030</u>	<u>\$ 734,472</u>
Investment return:				
Interest and dividend income (net of fees)	-	4,245	-	4,245
Realized and unrealized losses	-	(912)	-	(912)
Total investment return	-	3,333	-	3,333
Contributions	-	-	2,480	2,480
Other changes:				
Change in funds with deficiencies	1,012	(1,012)	-	-
Endowment net assets, December 31, 2014	<u>\$ (486,611)</u>	<u>\$ 224,386</u>	<u>\$ 1,002,510</u>	<u>\$ 740,285</u>

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>

# THE ORTHODOX CHURCH IN AMERICA

## Notes to Financial Statements

December 31, 2014 and 2013

14. ENDOWMENTS, continued:

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 gains	-	(5,044)	-	(5,044)
Total investment return	-	322	-	322
Other changes:				
Change in funds with deficiencies	(207)	207	-	-
Endowment net assets, December 31, 2013	\$ (487,623)	\$ 222,065	\$ 1,000,030	\$ 734,472

15. 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 years ended December 31, 2014 and 2013, and have issued our report thereon dated October 22, 2015, which contained an unmodified opinion on those financial statements. Our audits were 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 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 to the financial statements as a whole.

*Capin Crouse LLP*

New York, New York  
October 22, 2015

# THE ORTHODOX CHURCH IN AMERICA

## Supplemental Schedule of Expenses

Year Ended December 31, 2014

	Program	General and Administrative	Development	Totals
Program services, including related salaries:				
Website and public relations	\$ 41,987	\$ -	\$ -	\$ 41,987
Newspaper, sourcebook and calendar	58,139	-	-	58,139
History and archives	101,825	-	-	101,825
External affairs	130,934	-	-	130,934
Charity	7,886	-	-	7,886
Missions and stewardship	120,441	-	-	120,441
Seminaries	9,780	-	-	9,780
Education and community life	17,883	-	-	17,883
Parish and youth ministries	34,727	-	-	34,727
Pastoral life	28,074	-	-	28,074
All-American Council	39,699	-	-	39,699
Supporting services:				
Salaries and stipends	55,974	509,191	84,223	649,388
Payroll taxes and employee benefits	17,659	160,638	26,570	204,867
Donated services	280,400	-	-	280,400
Supplies and other office expenses	18,511	21,159	4,232	43,902
Telephone and internet	7,384	8,856	1,771	18,011
Professional fees and contracted services	24,229	67,162	-	91,391
Travel	76,858	90,515	18,103	185,476
Meetings and conferences	2,357	2,989	552	5,898
Property taxes and town fees	13,198	16,498	3,300	32,996
Repairs and maintenance/building and grounds	29,214	36,518	7,304	73,036
Building utilities	14,923	18,654	3,731	37,308
Postage and shipping	3,967	4,959	992	9,918
Bad debt expense - bequests receivable	-	22,000	-	22,000
Insurance	16,066	20,083	4,017	40,166
Bank and credit card fees	2,651	2,189	438	5,278
Miscellaneous	220	245	55	520
Expenses before depreciation and				
professional fees - legal	1,154,986	981,656	155,288	2,291,930
Depreciation	13,008	16,260	3,252	32,520
Professional fees - legal	-	24,310	-	24,310
Total Expenses	<u>\$ 1,167,994</u>	<u>\$ 1,022,226</u>	<u>\$ 158,540</u>	<u>\$ 2,348,760</u>

See auditors' report on supplementary information

# 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
Total Expenses	<u>\$ 905,682</u>	<u>\$ 1,312,494</u>	<u>\$ 183,511</u>	<u>\$ 2,401,687</u>

See auditors' report on supplementary information

**THE ORTHODOX CHURCH IN AMERICA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

# **THE ORTHODOX CHURCH IN AMERICA**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
The Orthodox Church in America  
Syosset, New York

### **Report on financial statements**

We have audited the accompanying financial statements of The Orthodox Church in America ("The Church") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 The Orthodox Church in America as of December 31, 2015, 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.

## **Other matters**

Prior period summarized financial information:

The prior year summarized comparative information has been derived from the organization's December 31, 2014 financial statements audited by other auditors whose report dated October 22, 2015, expressed an unmodified opinion on those financial statements.

## **Supplemental information**

Our audit was conducted for the purpose of forming an opinion on the 2015 financial statements as a whole. The schedule of expenses related to the 2015 financial statements on page 23 is presented for purposes of additional analysis and is not a required part of the 2015 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 2015 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 financial statements or to the 2015 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 for the year ended December 31, 2015 as a whole.

The financial statements of The Orthodox Church in America for the year ended December 31, 2014 were audited by other auditors and their report thereon dated October 22, 2015 expressed an unmodified opinion on those financial statements. Their report, as of the same date, on the Schedule of Expenses related to the 2014 financial statements 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, 2014, as a whole.

*D'Arcangelo & Co., LLP*

Rye Brook, New York

September 21, 2016

# THE ORTHODOX CHURCH IN AMERICA

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

With Summarized Comparative Financial Information as of December 31, 2014

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 186,750	\$ 889,199
Assessments and other accounts receivable, net	124,655	92,505
Bequests receivable	503,025	554,747
Prepaid expenses	14,292	24,856
Investments:		
Unrestricted	-	30,099
Archives fund	209,909	209,563
Endowment pool fund	544,701	477,396
St. Andrew endowment fund	95,376	103,310
FOS endowment fund	63,588	68,924
Missions endowment fund	721,160	-
Annuity and unitrust agreements	159,175	168,204
Cash restricted for endowment	-	90,094
Property and equipment, net	265,495	296,887
Total assets	<u>\$ 2,888,126</u>	<u>\$ 3,005,784</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 140,458	\$ 87,139
Deferred revenue	8,442	52,966
Loans payable	18,263	43,246
Retirement obligation	47,203	47,710
Annuity and unitrust agreements	126,504	134,035
Total liabilities	<u>340,870</u>	<u>365,096</u>
Net assets:		
Unrestricted:		
Undesignated (deficit)	(176,942)	(189,955)
Invested in property and equipment	265,495	274,839
Total unrestricted	88,553	84,884
Temporarily restricted	1,429,257	1,529,106
Permanently restricted	1,029,446	1,026,698
Total net assets	<u>2,547,256</u>	<u>2,640,688</u>
Total liabilities and net assets	<u>\$ 2,888,126</u>	<u>\$ 3,005,784</u>

See notes to financial statements.

3.

**THE ORTHODOX CHURCH IN AMERICA**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2015**

**With Summarized Comparative Financial Information for the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS</b>					
Support:					
General contributions	\$ 26,563	\$ -	\$ 2,748	\$ 29,311	\$ 77,094
Fellowship of Orthodox Stewards	-	51,784	-	51,784	34,628
Missions	-	1,608	-	1,608	3,599
Seminary	-	17,740	-	17,740	10,363
Charity	-	1,082	-	1,082	1,316
Donated services	137,400	-	-	137,400	280,400
Total support	<u>163,963</u>	<u>72,214</u>	<u>2,748</u>	<u>238,925</u>	<u>407,400</u>
Revenue:					
Assessments	1,911,410	-	-	1,911,410	1,943,943
All-American Council income	-	340,334	-	340,334	50
Net investment income	748	(9,591)	-	(8,843)	7,658
Change in actuarial value of annuities and unitrusts	-	(59,246)	-	(59,246)	50,196
Other revenue	30,007	-	-	30,007	28,689
Total revenue	<u>1,942,165</u>	<u>271,497</u>	<u>-</u>	<u>2,213,662</u>	<u>2,030,536</u>
Reclassifications:					
Satisfaction of restrictions	443,560	(443,560)	-	-	-
Total operating support, revenue and reclassifications	<u>2,549,688</u>	<u>(99,849)</u>	<u>2,748</u>	<u>2,452,587</u>	<u>2,437,936</u>
Expenses:					
Program services	1,218,596	-	-	1,218,596	1,167,994
General and administrative	1,137,170	-	-	1,137,170	1,022,226
Development	190,253	-	-	190,253	158,540
Total expenses	<u>2,546,019</u>	<u>-</u>	<u>-</u>	<u>2,546,019</u>	<u>2,348,760</u>
Change in net assets	<u>3,669</u>	<u>(99,849)</u>	<u>2,748</u>	<u>(93,432)</u>	<u>89,176</u>
Net assets, beginning of year	<u>84,884</u>	<u>1,529,106</u>	<u>1,026,698</u>	<u>2,640,688</u>	<u>2,551,512</u>
Net assets, end of year	<u>\$ 88,553</u>	<u>\$ 1,429,257</u>	<u>\$ 1,029,446</u>	<u>\$ 2,547,256</u>	<u>\$ 2,640,688</u>

See notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2015**

**With Summarized Comparative Financial Information for the Year Ended December 31, 2014**

	2015	2014
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (93,432)	\$ 89,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,392	32,520
Net realized and unrealized (gain) loss on investments	(114)	1,229
Change in actuarial value of annuities and unitrusts	59,246	(50,196)
Changes in:		
Assessments and other accounts receivable, net	(32,150)	67,552
Bequests receivable	51,722	(29,722)
Prepaid expenses	10,564	(1,829)
Accounts payable and accrued expenses	53,317	(37,164)
Retirement obligation	(507)	(6,468)
Deferred revenue	(44,524)	52,966
Net cash provided by operating activities	<u>35,514</u>	<u>118,064</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	2,839,207	544,332
Purchase of investments	(3,552,187)	(551,295)
Purchase of property and equipment	-	(37,896)
Net cash (used in) investing activities	<u>(712,980)</u>	<u>(44,859)</u>
<b>Cash flows from financing activities:</b>		
Repayment of loan principal	(24,983)	(24,101)
Net cash (used in) financing activities	<u>(24,983)</u>	<u>(24,101)</u>
Change in cash and cash equivalents	(702,449)	49,104
Cash and cash equivalents, beginning of year	<u>889,199</u>	<u>840,095</u>
Cash and cash equivalents, end of year	<u><u>\$ 186,750</u></u>	<u><u>\$ 889,199</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Purchases of equipment	\$ -	\$ 69,645
Less: Equipment purchases funded by debt	-	(31,749)
Cash paid for equipment	<u><u>\$ -</u></u>	<u><u>\$ 37,896</u></u>

See notes to financial statements.

# **THE ORTHODOX CHURCH IN AMERICA**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

### **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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **Basis of accounting**

The financial statements of the Church are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### **Basis of financial statement presentation and classification of net assets**

Under GAAP, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### **Basis of financial statement presentation and classification of net assets (continued)**

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* 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.

*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.

#### **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 disclosures 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**

For purposes of the statements of cash flows, cash equivalents are defined as cash on deposit, cash on hand and money market funds not held for investment with maturities less than three months when acquired to be cash and cash equivalents.

# **THE ORTHODOX CHURCH IN AMERICA**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **Concentrations of credit risk**

From time to time the Church may have bank deposits in excess of the Federal Deposit Insurance Corporation limits. The Church's cash management policy is to mitigate credit risks by investing in or through major financial institutions.

#### **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.

#### **Investment valuation and income recognition**

Investments comprise money market funds, certificates of deposit, marketable debt and equity securities, and accrued interest and dividends thereon and are reported at fair value. Donated investments are reflected as contributions at their fair market values at date of receipt. 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 Church's investment committee determines the valuation policies utilizing information provided by the investment adviser and custodian. See note 6 for a discussion on fair value measurements. Adjustments to the carrying value of investments are reported in the statement of activities as a component of net investment income.

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.



# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

#### **Endowment investment and spending policies**

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. 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, 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 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.

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, 2015**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Property, equipment, and depreciation**

Property and equipment is stated 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 expenses 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

##### **Impairment losses**

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impairment is measured at the amount by which the carrying value exceeds the asset's fair value. If the asset is determined to be impaired, an impairment loss is recognized as a non-operating expense (non-cash) in the year the impairment was determined. There were no impairment losses recognized during the year ended December 31, 2015.

##### **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 \$86,730 at December 31, 2015. The present value of the remaining future liability to be distributed by the Church amounted to \$76,728.

## **THE ORTHODOX CHURCH IN AMERICA**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **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 \$72,446 at December 31, 2015. 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 \$49,775 at December 31, 2015.

##### **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 related. 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 support activities benefitted. The Church incurred no joint costs for the year ending December 31, 2015.

# **THE ORTHODOX CHURCH IN AMERICA**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **Donated property 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.

The Church reported donated professional services of \$137,400 for the year ended December 31, 2015 that meet current accounting standards.

#### **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 Church's financial statements for the prior year ended December 31, 2014, from which the summarized information was derived.

#### **Reclassifications**

Certain reclassifications were made to the 2014 financial statements in order to conform to the 2015 presentation. These reclassifications had no effect on the change in net assets.

### **3. CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consist of the following:

Funds set aside for satisfaction of donor restrictions	\$ 42,922
Unrestricted operating funds	85,765
Reserve account	39,404
St. Sergius Chapel account	<u>18,659</u>
Total	<u>\$ 186,750</u>

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 4. ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE:

Assessments and other accounts receivable consist of the following:

Assessments receivable	\$ 67,289
Other accounts receivable	<u>57,366</u>
Total	<u>\$ 124,655</u>

### 5. BEQUESTS RECEIVABLE:

The Church is a beneficiary in estates for which it was notified of prior to December 31, 2015. The total remaining funds that the Church expects to receive at December 31, 2015 are \$503,025. The remaining bequests receivable are expected to be collected during 2016.

### 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 Church 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 ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 6. FAIR VALUE MEASUREMENTS (continued):

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.

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 December 31, 2015.

*Corporate equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds, negotiable certificates of deposit:* Value determined by reference to quoted market prices and other relevant information generated by market transactions, when available.

*U.S. government agency obligations, corporate bonds and municipal 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 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 Church are deemed to be actively traded.

*Annuity investments:* 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.

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 6. FAIR VALUE MEASUREMENTS (continued):

The following table sets forth by level, within the fair value hierarchy, the Church's assets at fair value on a recurring basis as of December 31, 2015.

	Assets at fair value as of December 31, 2015			
	Fair value	Level 1	Level 2	Level 3
Corporate equity securities	\$ 1,102,127	\$ 1,102,127	\$ -	\$ -
Money market funds	360,824	360,824		
Negotiable certificates of deposit	90,118	-	90,118	-
U.S. Government agency obligations	51,923	51,923	-	-
Mutual funds	69,429	69,429	-	-
Annuity investments	86,730	-	86,730	-
Municipal bond	5,069	-	5,069	-
Corporate bonds	27,689	-	27,689	-
	<u>\$ 1,793,909</u>	<u>\$ 1,584,303</u>	<u>\$ 209,606</u>	<u>\$ -</u>

Investment income consists of the following:

Interest and dividends	\$ 634
Unrealized gain (loss)	114
Investment fees	<u>(9,591)</u>
	<u>\$ (8,843)</u>

### 7. RISKS AND UNCERTAINTIES:

#### Cash

From time to time the Church may have bank deposits in excess of the Federal Deposit Insurance Corporation limits. The Church's cash management policy is to mitigate credit risks by investing in or through major financial institutions.

**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**7. RISKS AND UNCERTAINTIES (continued):**

**Investment risks**

The Church invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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.

**8. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following:

Land	\$ 45,000
Buildings and improvements	531,783
Furniture, fixtures, and equipment	204,173
Software	33,000
	<hr/> 813,956
Less: accumulated depreciation	(548,461)
Total	<hr/> \$ 265,495 <hr/>

Depreciation expense amounted to \$31,392.

**9. LOANS PAYABLE:**

Loans payable consist of the following:

Vehicle note payable, without interest, maturing in February 2017. Monthly principal payments amount to \$881.	\$ 11,465
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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.

	<hr/> 6,798
	<hr/> \$ 18,263 <hr/>



**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**9. LOANS PAYABLE (continued):**

A schedule of future minimum principal payments is as follows:

<u>Year ending December 31,</u>	
2016	\$ 17,381
2017	882
	<hr/>
	\$ 18,263

**10. LEASE COMMITMENTS:**

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$21,274 for the year ending December 31, 2015. Estimated future minimum lease payments by year and in the aggregate under the leases consist of the following:

<u>Year ending December 31,</u>	
2016	\$ 20,148
2017	11,976
2018	11,976
2019	8,982

**11. 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 American Pension Plan. The agreement exists to rectify a situation whereby the former employee had been improperly excluded from participation in the Orthodox Church in American Pension Plan, and will continue until the former employee's death. Payments related to this agreement amounted to \$11,400 for the year ending December 31, 2015. The actuarially calculated liability for future payments under this obligation amounted to \$47,203 at December 31, 2015.

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 12. MULTIPLE EMPLOYER PENSION PLAN:

Substantially all full-time employees participate in The Orthodox Church in America Pension Plan (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 differ 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 services 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 \$46,302 in 2015. The contribution made by the Church represented approximately 2.04% of the total contributions made to the Plan in 2015. 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.

Contributions from all employers to the Plan for December 31, 2015 are as follows:

Pension Fund:	FEIN	2015
Orthodox Church in America Pension Plan	06-1455789	\$ 2,274,809

**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**12. MULTIPLE EMPLOYER PENSION PLAN (continued):**

As of December 31, 2015, the Plan's total net assets available for benefits were \$24,681,834, and the actuarial present value of accumulated Plan benefits was \$47,240,855. As of December 31, 2015, the Plan was less than 65% funded.

**13. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are as follows:

	December 31,			
	2014	Additions and other changes	Releases	2015
Mission appeal	\$ 931,852	\$ (61,038)	\$ 28,904	\$ 841,910
Archives fund	209,562	22	-	209,584
Restricted endowments excess earnings	144,274	(4,051)	5,601	134,622
General purpose endowment excess earnings	80,113	(5,243)	-	74,870
Charity	70,804	1,082	1,082	70,804
Theological education – academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Chaplain reserve	1,896	-	-	1,896
Seminary appeal	1,481	17,740	12,506	6,715
Other restricted purposes	268	-	268	-
	<u>\$ 1,529,106</u>	<u>\$ (51,488)</u>	<u>\$ 48,361</u>	<u>\$1,429,257</u>

**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**14. PERMANENTLY RESTRICTED NET ASSETS:**

Permanently restricted net assets consist of the following:

	December 31,	
	2015	2014
Donor restricted endowments:		
General purposes	\$ 229,496	\$ 226,748
Restricted purposes	775,762	775,762
Permanently restricted charitable remainder unitrust	24,188	24,188
	<u>\$ 1,029,446</u>	<u>\$ 1,026,698</u>

**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 of absence of donor-imposed restrictions.

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.

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 15. ENDOWMENTS (continued):

#### 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 \$447,807 and \$486,611 at December 31, 2015 and 2014, respectively. \$319,642 of these deficiencies at both December 31, 2015 and 2014, are the result of borrowing from the endowment fund assets for operations, and the remaining \$128,165 and \$85,111 at December 31, 2015 and 2014, respectively, resulted from realized losses that occurred shortly after the market downturn in 2008 and have continued through current. 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.

Endowment net assets composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted endowments for:				
General purposes	\$ (111,365)	\$ 74,870	\$ 226,748	\$ 190,253
Restricted purposes	(336,442)	134,622	778,510	576,690
Total endowment funds	<u>\$ (447,807)</u>	<u>\$ 209,492</u>	<u>\$1,005,258</u>	<u>\$ 766,943</u>

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 15. ENDOWMENTS (continued):

Changes in endowment net assets for the year ended December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, January 1, 2015	\$ (486,611)	\$ 224,386	\$ 1,002,510	\$ 740,285
Investment return:				
Interest and dividend income (net of fees)	-	1,727	-	1,727
Realized and unrealized losses	-	(29,538)	-	(29,538)
Total investment return	-	(27,811)	-	(27,811)
Contributions	51,721	-	2,748	54,469
Other changes:				
Changes in funds with deficiencies	(12,917)	12,917	-	-
Endowment net assets, December 31, 2015	\$ (447,807)	\$ 209,492	\$ 1,005,258	\$ 766,943

### 16. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 21, 2016, which is the date the financial statements are available for issuance.

# THE ORTHODOX CHURCH IN AMERICA

## SUPPLEMENTAL SCHEDULE OF EXPENSES

### YEAR ENDED DECEMBER 31, 2015

With Summarized Comparative Financial Information for the Year Ended December 31, 2014

	Program	General and Administrative	Development	2015 Total	2014 Total
EXPENSES					
Administration	\$ 975	\$ 344,677	\$ 33,848	\$ 379,500	\$388,130
Executive	-	482,665	-	482,665	478,845
Archives	117,275	-	-	117,275	101,825
External Affairs	64,979	-	-	64,979	76,877
Chapel	15,455	-	-	15,455	15,739
Property Support	10,463	222,084	10,464	243,011	263,978
Publications	-	-	4,904	4,904	58,139
Communications	-	-	82,779	82,779	41,341
Holy Synod	23,981	23,981	23,982	71,944	94,131
Metropolitans Office	16,673	16,672	16,673	50,018	58,845
Metropolitans Council		29,488		29,488	32,281
St. Catherine's Representation Church	17,603	17,603	17,603	52,809	54,058
Charity	2,823	-	-	2,823	6,896
Missions and Planting Grants	136,238	-	-	136,238	109,167
Ordination Candidate Testing	29,185	-	-	29,185	21,593
Office for Review of Sexual Misconduct Allegations	84,900	-	-	84,900	86,271
Continuing Education Expenses	12,900	-	-	12,900	18,450
Seminaries	51,506	-	-	51,506	9,780
All-American Council	364,080	-	-	364,080	39,671
Departmental Ministries	131,360	-	-	131,360	110,905
Endowment Distribution	800	-	-	800	1,438
Donated Services	137,400	-	-	137,400	280,400
Total expenses	\$ 1,218,596	\$ 1,137,170	\$ 190,253	\$2,546,019	\$2,348,760

See auditor's report and notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**



**THE ORTHODOX CHURCH IN AMERICA**

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**DECEMBER 31, 2016 AND 2015**

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# **D'Arcangelo & Co., LLP**

**Certified Public Accountants & Consultants**

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## **INDEPENDENT AUDITOR'S REPORT**

Metropolitan Council  
The Orthodox Church in America  
Syosset, New York

### **Report on financial statements**

We have audited the accompanying financial statements of The Orthodox Church in America ("The Church") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 The Orthodox Church in America as of December 31, 2016 and 2015, 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.

## **Supplemental information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses related to the 2016 and 2015 financial statements on pages 26 - 27 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.

*D'Arcangelo & Co., LLP*

Rye Brook, New York  
September 26, 2017

**THE ORTHODOX CHURCH IN AMERICA**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 81,699	\$ 186,750
Assessments and other accounts receivable, net	213,523	124,655
Bequests receivable	-	503,025
Prepaid expenses	14,641	14,292
Investments:		
Archives fund	210,662	209,909
Endowment pool fund	1,072,038	544,701
St. Andrew endowment fund	112,569	95,376
FOS endowment fund	74,155	63,588
Missions endowment fund	851,711	721,160
Annuity and unitrust agreements	159,468	159,175
Cash restricted for endowment	99,538	-
Property and equipment, net	234,104	265,495
Total assets	<u>\$ 3,124,108</u>	<u>\$ 2,888,126</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 131,630	\$ 140,458
Deferred revenue	-	8,442
Loans payable	1,764	18,263
Retirement obligation	40,637	47,203
Annuity and unitrust agreements	123,212	126,504
Total liabilities	<u>297,243</u>	<u>340,870</u>
Net assets:		
Unrestricted:		
Undesignated (deficit)	(107,626)	(176,942)
Invested in property and equipment	234,104	265,495
Total unrestricted	126,478	88,553
Temporarily restricted	1,669,036	1,429,257
Permanently restricted	1,031,351	1,029,446
Total net assets	<u>2,826,865</u>	<u>2,547,256</u>
Total liabilities and net assets	<u>\$ 3,124,108</u>	<u>\$ 2,888,126</u>

See notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Support:				
General contributions	\$ 84,646	\$ -	\$ 1,905	\$ 86,551
Fellowship of Orthodox Stewards	-	64,731	-	64,731
Missions	-	3,997	-	3,997
Seminary	-	3,465	-	3,465
Charity	-	2,499	-	2,499
Donated services	55,050	-	-	55,050
Total support	<u>139,696</u>	<u>74,692</u>	<u>1,905</u>	<u>216,293</u>
Revenue:				
Assessments	1,783,502	-	-	1,783,502
Net investment income	19	(8,769)	-	(8,750)
Change in actuarial value of annuities and unitrusts	-	285,479	-	285,479
Other revenue	31,687	-	-	31,687
Total revenue	<u>1,815,208</u>	<u>276,710</u>	<u>-</u>	<u>2,091,918</u>
Reclassifications:				
Satisfaction of restrictions	<u>111,623</u>	<u>(111,623)</u>	<u>-</u>	<u>-</u>
Total operating support, revenue and reclassifications	<u>2,066,527</u>	<u>239,779</u>	<u>1,905</u>	<u>2,308,211</u>
Expenses:				
Program services	705,439	-	-	705,439
General and administrative	1,133,798	-	-	1,133,798
Development	189,365	-	-	189,365
Total expenses	<u>2,028,602</u>	<u>-</u>	<u>-</u>	<u>2,028,602</u>
Change in net assets	<u>37,925</u>	<u>239,779</u>	<u>1,905</u>	<u>279,609</u>
Net assets, beginning of year	<u>88,553</u>	<u>1,429,257</u>	<u>1,029,446</u>	<u>2,547,256</u>
Net assets, end of year	<u>\$ 126,478</u>	<u>\$ 1,669,036</u>	<u>\$ 1,031,351</u>	<u>\$ 2,826,865</u>

See notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Support:				
General contributions	\$ 26,563	\$ -	\$ 2,748	\$ 29,311
Fellowship of Orthodox Stewards	-	51,784	-	51,784
Missions	-	1,608	-	1,608
Seminary	-	17,740	-	17,740
Charity	-	1,082	-	1,082
Donated services	137,400	-	-	137,400
Total support	<u>163,963</u>	<u>72,214</u>	<u>2,748</u>	<u>238,925</u>
Revenue:				
Assessments	1,911,410	-	-	1,911,410
All-American Council income	-	340,334	-	340,334
Net investment income	748	(9,591)	-	(8,843)
Change in actuarial value of annuities and unitrusts	-	(59,246)	-	(59,246)
Other revenue	30,007	-	-	30,007
Total revenue	<u>1,942,165</u>	<u>271,497</u>	<u>-</u>	<u>2,213,662</u>
Reclassifications:				
Satisfaction of restrictions	<u>443,560</u>	<u>(443,560)</u>	<u>-</u>	<u>-</u>
Total operating support, revenue and reclassifications	<u>2,549,688</u>	<u>(99,849)</u>	<u>2,748</u>	<u>2,452,587</u>
Expenses:				
Program services	1,218,596	-	-	1,218,596
General and administrative	1,137,170	-	-	1,137,170
Development	190,253	-	-	190,253
Total expenses	<u>2,546,019</u>	<u>-</u>	<u>-</u>	<u>2,546,019</u>
Change in net assets	<u>3,669</u>	<u>(99,849)</u>	<u>2,748</u>	<u>(93,432)</u>
Net assets, beginning of year	<u>84,884</u>	<u>1,529,106</u>	<u>1,026,698</u>	<u>2,640,688</u>
Net assets, end of year	<u>\$ 88,553</u>	<u>\$ 1,429,257</u>	<u>\$ 1,029,446</u>	<u>\$ 2,547,256</u>

See notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 279,609	\$ (93,432)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,392	31,392
Net realized and unrealized (gain) loss on investments	-	(114)
Net change in actuarial value of annuities and unitrusts	(258,885)	74,974
Changes in:		
Assessments and other accounts receivable, net	(88,868)	(32,150)
Bequests receivable	503,025	51,722
Prepaid expenses	(99,887)	10,564
Accounts payable and accrued expenses	90,710	53,317
Retirement obligation	(6,566)	(507)
Deferred revenue	(8,442)	(44,524)
Net cash provided by operating activities	<u>442,088</u>	<u>51,242</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	1,618,510	2,839,207
Purchase of investments	(2,049,612)	(3,567,915)
Change in cash restricted for endowment	(99,538)	-
Net cash (used in) investing activities	<u>(530,640)</u>	<u>(728,708)</u>
<b>Cash flows from financing activities:</b>		
Repayment of loan principal	(16,499)	(24,983)
Change in cash and cash equivalents	(105,051)	(702,449)
Cash and cash equivalents, beginning of year	<u>186,750</u>	<u>889,199</u>
Cash and cash equivalents, end of year	<u>\$ 81,699</u>	<u>\$ 186,750</u>

## **THE ORTHODOX CHURCH IN AMERICA**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

#### **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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

##### **Basis of accounting**

The financial statements of the Church are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

##### **Basis of financial statement presentation and classification of net assets**

Under GAAP, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.



## THE ORTHODOX CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

##### **Basis of financial statement presentation and classification of net assets (continued)**

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* 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.

*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.

##### **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 disclosures 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**

For purposes of the statements of cash flows, cash equivalents are defined as cash on deposit, cash on hand and money market funds not held for investment with maturities less than three months when acquired to be cash and cash equivalents.

## **THE ORTHODOX CHURCH IN AMERICA**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Concentrations of credit risk**

From time to time the Church may have bank deposits in excess of the Federal Deposit Insurance Corporation limits. The Church's cash management policy is to mitigate credit risks by investing in or through major financial institutions.

##### **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.

##### **Investment valuation and income recognition**

Investments comprise money market funds, certificates of deposit, marketable debt and equity securities, and accrued interest and dividends thereon and are reported at fair value. Donated investments are reflected as contributions at their fair market values at date of receipt. 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 Church's investment committee determines the valuation policies utilizing information provided by the investment adviser and custodian. See note 6 for a discussion on fair value measurements. Adjustments to the carrying value of investments are reported in the statement of activities as a component of net investment income.

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.

## **THE ORTHODOX CHURCH IN AMERICA**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Endowment investment and spending policies**

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. 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 Trustees have 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, 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 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.

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 portfolio to achieve its long-term return and growth objectives within prudent risk constraints.

## THE ORTHODOX CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

##### Property, equipment, and depreciation

Property and equipment is stated 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 expenses 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

##### Impairment losses

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Impairment is measured at the amount by which the carrying value exceeds the asset's fair value. If the asset is determined to be impaired, an impairment loss is recognized as a non-operating expense (non-cash) in the year the impairment was determined. There were no impairment losses recognized during the years ended December 31, 2016 and 2015.

##### 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 \$83,362 at December 31, 2016 (\$86,730 in 2015). The present value of the remaining future liability to be distributed by the Church amounted to \$72,868 in 2016 and \$76,728 in 2015.

## **THE ORTHODOX CHURCH IN AMERICA**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **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 \$76,106 at December 31, 2016 (\$72,445 at December 31, 2015). 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 \$50,344 at December 31, 2016 (\$49,775 at December 31, 2015).

##### **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 related. 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 support activities benefitted. The Church incurred no joint costs for the years ending December 31, 2016 and 2015.

**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Donated property 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.

The Church reported donated professional services of \$55,050 for the year ended December 31, 2016 (\$137,400 in 2015) that meet current accounting standards.

**Reclassifications**

Certain reclassifications were made to the 2015 financial statements in order to conform to the 2016 presentation. These reclassifications had no effect on the change in net assets.

**3. CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consist of the following:

	2016	2015
Funds set aside for satisfaction of donor restrictions	\$ 28,610	\$ 42,922
Unrestricted operating funds	(2,635)	85,765
Reserve account	39,423	39,404
St. Sergius Chapel account	16,301	18,659
Total	<u>\$ 81,699</u>	<u>\$ 186,750</u>

**4. ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE:**

Assessments and other accounts receivable consist of the following:

	2016	2015
Assessments receivable	\$ 120,641	\$ 67,289
Other accounts receivable	92,882	57,366
Total	<u>\$ 213,523</u>	<u>\$ 124,655</u>

## THE ORTHODOX CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

#### 5. BEQUESTS RECEIVABLE:

The Church was a beneficiary in an estate for which it was notified of prior to December 31, 2015. All of the prior year receivable was collected in 2016. \$99,538 was held as a cash deposit at December 31, 2016 and subsequently transferred to the main endowment brokerage account in January 2017.

#### 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 Church 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.

## THE ORTHODOX CHURCH IN AMERICA

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

#### 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 December 31, 2016 and 2015.

*Corporate equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds, negotiable certificates of deposit:* Value determined by reference to quoted market prices and other relevant information generated by market transactions, when available.

*U.S. government agency obligations, corporate bonds and municipal 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 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 Church are deemed to be actively traded.

*Annuity investments:* 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.



# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### 6. FAIR VALUE MEASUREMENTS (continued):

The following table sets forth by level, within the fair value hierarchy, the Church's assets at fair value on a recurring basis as of December 31, 2016 and 2015.

Assets at fair value as of December 31, 2016				
	Fair value	Level 1	Level 2	Level 3
Corporate equity securities	\$ 1,541,199	\$ 1,541,199	\$ -	\$ -
Money market funds	618,628	618,628	-	-
Negotiable certificates of deposit	40,123	-	40,123	-
U.S. Government agency obligations	26,919	26,919	-	-
Mutual funds	140,284	140,284	-	-
Annuity investments	83,362	-	83,362	-
Corporate bonds	30,088	-	30,088	-
	<u>\$ 2,480,603</u>	<u>\$ 2,327,030</u>	<u>\$ 153,573</u>	<u>\$ -</u>

Assets at fair value as of December 31, 2015				
	Fair value	Level 1	Level 2	Level 3
Corporate equity securities	\$ 1,102,127	\$ 1,102,127	\$ -	\$ -
Money market funds	360,824	360,824	-	-
Negotiable certificates of deposit	90,118	-	90,118	-
U.S. Government agency obligations	51,923	51,923	-	-
Mutual funds	69,429	69,429	-	-
Annuity investments	86,730	-	86,730	-
Municipal bond	5,069	-	5,069	-
Corporate bonds	27,689	-	27,689	-
	<u>\$ 1,793,909</u>	<u>\$ 1,584,303</u>	<u>\$ 209,606</u>	<u>\$ -</u>

**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**6. FAIR VALUE MEASUREMENTS (continued):**

Investment income consists of the following:

	2016	2015
Interest and dividends	\$ 19	\$ 634
Unrealized gain	-	114
Investment fees	(8,769)	(9,591)
	<u>\$ (8,750)</u>	<u>\$ (8,843)</u>

**7. RISKS AND UNCERTAINTIES:**

**Investment risks**

The Church invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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.

**8. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following:

	2016	2015
Land	\$ 45,000	\$ 45,000
Buildings and improvements	531,783	531,783
Furniture, fixtures, and equipment	204,173	204,173
Software	33,000	33,000
	<u>813,956</u>	<u>813,956</u>
Less: accumulated depreciation	<u>(579,852)</u>	<u>(548,461)</u>
Total	<u>\$ 234,104</u>	<u>\$ 265,495</u>

Depreciation expense amounted to \$31,392 in 2016 and in 2015.

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### 9. LOANS PAYABLE:

Loans payable consist of the following:

	<u>2016</u>	<u>2015</u>
Vehicle note payable, without interest, maturing in February 2017. Monthly principal payments amount to \$881.	\$ 1,764	\$ 11,465

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 amounted to \$1,200.

-	<u>6,798</u>
<u>\$ 1,764</u>	<u>\$ 18,263</u>

A schedule of future minimum principal payments is as follows:

<u>Year ending December 31,</u>	
2017	\$ 1,764

### 10. LEASE COMMITMENTS:

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$19,951 in 2016 and \$21,274 in 2015. Estimated future minimum lease payments by year and in the aggregate under the leases consist of the following:

<u>Year ending December 31,</u>	
2017	\$ 18,996
2018	18,996
2019	16,002
2020	6,435

## **THE ORTHODOX CHURCH IN AMERICA**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

#### **11. 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 American Pension Plan. The agreement exists to rectify a situation whereby the former employee had been improperly excluded from participation in the Orthodox Church in American Pension Plan, and will continue until the former employee's death. Payments related to this agreement amounted to \$11,400 for the each of the years ended December 31, 2016 and 2015. The actuarially calculated liability for future payments under this obligation amounted to \$40,637 in 2016 and \$47,203 in 2015.

#### **12. MULTIPLE EMPLOYER PENSION PLAN:**

Substantially all full-time employees participate in The Orthodox Church in America Pension Plan (Plan). This multi-employer 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 multi-employer plan differ 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 services 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 \$47,550 in 2016 and \$46,302 in 2015. The contribution made by the Church represented approximately 2.02% and 2.04% of the total contributions made to the Plan in 2016 and 2015, respectively. To the extent the Plan is underfunded, future contributions to the Plan may increase.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

12. MULTIPLE EMPLOYER PENSION PLAN (continued):

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.

Contributions from all employers to the Plan for December 31, 2016 and 2015 are as follows:

Pension Fund:	FEIN	2016	2015
Orthodox Church in America Pension Plan	06-1455789	\$ 2,353,912	\$ 2,274,809

As of December 31, 2016, the Plan's total net assets available for benefits were \$23,698,253, and the actuarial present value of accumulated Plan benefits was \$49,211,285. As of December 31, 2015, the Plan's total net assets available for benefits were \$24,681,834 and the actuarial present value of accumulated Plan benefits was \$47,240,855. As of December 31, 2016, the Plan was less than 65% funded.

**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**13. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are as follows:

	December 31,			
	2015	Additions and other changes	Releases	2016
Mission appeal	\$ 841,910	\$ 138,270	\$ 65,344	\$ 914,836
Archives fund	209,584	753	-	210,337
Restricted endowments excess earnings	134,622	106,806	40,948	200,480
General purpose endowment excess earnings	74,870	42,211	1,541	115,540
Charity	70,804	2,499	1,500	71,803
Theological education – academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Chaplain reserve	1,896	-	1,896	-
Seminary appeal	6,715	3,464	7,587	2,592
Other restricted purposes	-	64,731	139	64,592
	<u>\$ 1,429,257</u>	<u>\$ 358,734</u>	<u>\$ 118,955</u>	<u>\$ 1,669,036</u>

**THE ORTHODOX CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**13. TEMPORARILY RESTRICTED NET ASSETS (continued):**

	December 31,			
	2014	Additions and other changes	Releases	2015
Mission appeal	\$ 931,852	\$ (61,038)	\$ 28,904	\$ 841,910
Archives fund	209,562	22	-	209,584
Restricted endowments excess earnings	144,274	(4,051)	5,601	134,622
General purpose endowment excess earnings	80,113	(5,243)	-	74,870
Charity	70,804	1,082	1,082	70,804
Theological education – academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Chaplain reserve	1,896	-	-	1,896
Seminary appeal	1,481	17,740	12,506	6,715
Other restricted purposes	268	-	268	-
	<u>\$ 1,529,106</u>	<u>\$ (51,488)</u>	<u>\$ 48,361</u>	<u>\$ 1,429,257</u>

**14. PERMANENTLY RESTRICTED NET ASSETS:**

Permanently restricted net assets consist of the following:

	December 31,	
	2016	2015
Donor restricted endowments:		
General purposes	\$ 231,401	\$ 229,496
Restricted purposes	775,762	775,762
Permanently restricted charitable remainder unitrust	24,188	24,188
	<u>\$ 1,031,351</u>	<u>\$ 1,029,446</u>

## **THE ORTHODOX CHURCH IN AMERICA**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

#### **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 of absence of donor-imposed restrictions.

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 \$447,807 at December 31 2015. \$319,642 of these deficiencies at December 31 2015, were the result of borrowing from the endowment fund assets for operations, and the remaining \$128,165 for 2015 resulted from realized losses that occurred shortly after the market downturn in 2008 and continuing through 2015. Management utilized collected funds from an unrestricted bequest to repay the borrowing from the endowment fund assets in 2016.



# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### 15. ENDOWMENTS (continued):

Endowment net assets composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted endowments for:				
General purposes	\$ 84,715	\$ 115,541	\$ 231,401	\$ 431,657
Restricted purposes	(70,531)	209,843	775,762	915,074
Total endowment funds	<u>\$ 14,184</u>	<u>\$ 325,384</u>	<u>\$ 1,007,163</u>	<u>\$ 1,346,731</u>

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, January 1, 2016	<u>\$ (447,807)</u>	<u>\$ 209,492</u>	<u>\$ 1,005,258</u>	<u>\$ 766,943</u>
Investment return:				
Interest and dividend income (net of fees)	9,773	10,427	-	20,200
Realized and unrealized gains	<u>12,360</u>	<u>134,198</u>	<u>-</u>	<u>146,558</u>
Total investment return	<u>22,133</u>	<u>144,625</u>	<u>-</u>	<u>166,758</u>
Contributions	<u>411,125</u>	<u>-</u>	<u>1,905</u>	<u>413,030</u>
Other changes:				
Changes in funds with deficiencies	<u>28,733</u>	<u>(28,733)</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2016	<u>\$ 14,184</u>	<u>\$ 325,384</u>	<u>\$ 1,007,163</u>	<u>\$ 1,346,731</u>

# THE ORTHODOX CHURCH IN AMERICA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

### 15. ENDOWMENTS (continued):

Endowment net assets composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted endowments for:				
General purposes	\$ (111,365)	\$ 74,870	\$ 226,748	\$ 190,253
Restricted purposes	(336,442)	134,622	778,510	576,690
Total endowment funds	<u>\$ (447,807)</u>	<u>\$ 209,492</u>	<u>\$ 1,005,258</u>	<u>\$ 766,943</u>

Changes in endowment net assets for the year ended December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, January 1, 2015	<u>\$ (486,611)</u>	<u>\$ 224,386</u>	<u>\$ 1,002,510</u>	<u>\$ 740,285</u>
Investment return:				
Interest and dividend income (net of fees)	-	1,727	-	1,727
Realized and unrealized losses	-	(29,538)	-	(29,538)
Total investment return	-	(27,811)	-	(27,811)
Contributions	<u>51,721</u>	<u>-</u>	<u>2,748</u>	<u>54,469</u>
Other changes:				
Changes in funds with deficiencies	<u>(12,917)</u>	<u>12,917</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2015	<u>\$ (447,807)</u>	<u>\$ 209,492</u>	<u>\$ 1,005,258</u>	<u>\$ 766,943</u>

### 16. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 26, 2017, which is the date the financial statements are available for issuance.

**THE ORTHODOX CHURCH IN AMERICA**  
**SUPPLEMENTAL SCHEDULE OF EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	Program	General and Administrative	Development	Total
<b>EXPENSES</b>				
Administration	\$ 1,382	\$ 385,695	\$ 34,568	\$ 421,645
Executive	-	440,281	-	440,281
Archives	101,577	-	-	101,577
External Affairs	76,220	-	-	76,220
Chapel	14,167	-	-	14,167
Property Support	10,464	218,239	10,463	239,166
Communications	-	-	83,614	83,614
Holy Synod	23,205	23,205	23,204	69,614
Metropolitans Office	21,370	21,370	21,369	64,109
Metropolitans Council	-	29,901	-	29,901
St. Catherine's Representation Church	15,107	15,107	15,108	45,322
Stewards of the OCA	-	-	1,039	1,039
Charity	1,509	-	-	1,509
Board of Theological Education	806	-	-	806
Missions and Planting Grants	130,292	-	-	130,292
Ordination Candidate Testing	23,572	-	-	23,572
Office for Review of Sexual Misconduct Allegations	91,804	-	-	91,804
Continuing Education Expenses	13,750	-	-	13,750
Seminaries	19,587	-	-	19,587
All-American Council	6,261	-	-	6,261
Departmental Ministries	99,316	-	-	99,316
Donated Services	55,050	-	-	55,050
Total expenses	<u>\$ 705,439</u>	<u>\$ 1,133,798</u>	<u>\$ 189,365</u>	<u>\$ 2,028,602</u>

**THE ORTHODOX CHURCH IN AMERICA**  
**SUPPLEMENTAL SCHEDULE OF EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program	General and Administrative	Development	Total
<b>EXPENSES</b>				
Administration	\$ 975	\$ 344,677	\$ 33,848	\$ 379,500
Executive	-	482,665	-	482,665
Archives	117,275	-	-	117,275
External Affairs	64,979	-	-	64,979
Chapel	15,455	-	-	15,455
Property Support	10,463	222,084	10,464	243,011
Publications	-	-	4,904	4,904
Communications	-	-	82,779	82,779
Holy Synod	23,981	23,981	23,982	71,944
Metropolitans Office	16,673	16,672	16,673	50,018
Metropolitans Council		29,488		29,488
St. Catherine's Representation Church	17,603	17,603	17,603	52,809
Charity	2,823	-	-	2,823
Missions and Planting Grants	136,238	-	-	136,238
Ordination Candidate Testing	29,185	-	-	29,185
Office for Review of Sexual Misconduct Allegations	84,900	-	-	84,900
Continuing Education Expenses	12,900	-	-	12,900
Seminaries	51,506	-	-	51,506
All-American Council	364,080	-	-	364,080
Departmental Ministries	131,360	-	-	131,360
Endowment Distribution	800	-	-	800
Donated Services	137,400	-	-	137,400
Total expenses	<u>\$1,218,596</u>	<u>\$ 1,137,170</u>	<u>\$ 190,253</u>	<u>\$2,546,019</u>

The Orthodox Church in America			
		Balance Sheet	
As of December 31, 2017 and 2016			
		12/31/2017	12/31/2016
Assets			
Cash and Cash Equivalents	\$	342,912	\$ 181,237
Accounts Receivable	\$	274,447	\$ 213,523
Other Current Asset	\$	17,154	\$ 14,641
Fixed Asset	\$	811,946	\$ 813,956
Accumulated Depreciation	\$	(563,196)	\$ (579,854)
Fixed Asset, net	\$	248,750	\$ 234,103
Total Investments	\$	2,647,414	\$ 2,480,604
Total Assets	\$	3,530,678	\$ 3,124,108
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$	143,836	\$ 82,337
Accrued Expenses	\$	72,039	\$ 50,003
Automobile Loan	\$	-	\$ 1,764
Retirement Obligation	\$	38,000	\$ 40,637
Unitrust Liability	\$	118,194	\$ 122,169
Other Liabilities	\$	327	\$ 327
Total Liabilities	\$	372,396	\$ 297,237
Net Assets			
Unrestricted Net Assets	\$	130,516	\$ 126,478
Temporarily Restricted Net Assets	\$	1,993,650	\$ 1,669,036
Permanently Restricted Net Assets	\$	1,034,116	\$ 1,031,351
Net Assets	\$	3,158,282	\$ 2,826,865
Total Liabilities and Net Assets	\$	3,530,678	\$ 3,124,102
BEGINNING BALANCE WITH CURRENT YEAR		\$ 2,826,866	\$ 2,547,256
NET SURPLUS/(DEFICIT)		\$ 331,416	\$ 279,610
ENDING NET ASSETS		\$ 3,158,282	\$ 2,826,866

	The Orthodox Church in America					
	Statement of Activities					
	For the twelve months period ended 12/31/17					
			Temporarily	Permanently		
		Unrestricted	Restricted	Restricted		Total
<b>Revenues</b>						
10-4207-05	Administration-Donated Services - Revenue Side	\$2,400	\$0	\$0		\$2,400
10-4345-05	Administration-Individ, Business Contributions	\$30,368	\$0	\$0		\$30,368
10-4345-08	Archives-Individ, Business Contributions	\$1,025	\$0	\$0		\$1,025
10-4345-10	Chapel-Individ, Business Contributions	\$10,304	\$0	\$0		\$10,304
10-4345-15	Metropolitan's Office-Individ, Business Contribution	\$1,000	\$0	\$0		\$1,000
10-4345-80	Ministries-Individ, Business Contributions	\$1,800	\$0	\$0		\$1,800
10-4350-10	Chapel-Appeals	\$476	\$0	\$0		\$476
10-4503-05	Administration-Interest-Savings, Short-term CD	\$85	\$0	\$0		\$85
10-4640-05	Administration-Other Types of Income	\$5	\$0	\$0		\$5
10-4640-31	OCPC-Other Types of Income	\$3,480	\$0	\$0		\$3,480
10-4643-05	Administration-Miscellaneous Revenue	\$6,918	\$0	\$0		\$6,918
10-4645-05	Administration-Desk Calendar Revenue	\$4,905	\$0	\$0		\$4,905
10-4722-05	Administration-Member Assessments	\$1,797,731	\$0	\$0		\$1,797,731
10-4722-10	Chapel-Member Assessments	\$105	\$0	\$0		\$105
10-4724-39	Strategic Planning-Program Service Fees	\$10,725	\$0	\$0		\$10,725
10-4724-80	Ministries-Program Service Fees	\$5,800	\$0	\$0		\$5,800
10-4902-80	Ministries-Special Events Sales (Nongift)	\$443	\$0	\$0		\$443
20-4345-20	SOCA-Individ, Business Contributions	\$61,092	\$0	\$0		\$61,092
20-4345-25	Charity-Individ, Business Contributions	\$0	\$50	\$0		\$50
20-4345-50	All American-Individ, Business Contributions	\$0	\$5,000	\$0		\$5,000
20-4346-05	Administration-Legacies and Bequests	\$33,011	\$109,238	\$0		\$142,249
20-4350-25	Charity-Appeals	\$0	\$2,359	\$0		\$2,359
20-4350-30	Missions and Planting Gra-Appeals	\$0	\$2,820	\$0		\$2,820
20-4350-40	Seminaries-Appeals	\$0	\$2,410	\$0		\$2,410
20-4502-90	Trusts-Dividend, Interest (Securities)	\$0	\$32,125	\$0		\$32,125
20-4503-90	Trusts-Interest-Savings, Short-term CD	\$0	\$8,064	\$0		\$8,064
20-4505-90	Trusts-Other Investment Revenue	\$0	\$52,551	\$0		\$52,551
20-4722-50	All American-Member Assessments	\$0	\$4,400	\$0		\$4,400
20-4900-50	All American-Special Events Income	\$0	\$2,650	\$0		\$2,650
30-4346-90	Trusts-Legacies and Bequests	\$0	\$0	\$2,765		\$2,765
	<b>Total Revenues</b>	<b>\$1,971,672</b>	<b>\$221,666</b>	<b>\$2,765</b>		<b>\$2,196,103</b>
<b>Expenses</b>						
10-6050-05	Administration-Distributions	\$16,925	\$0	\$0		\$16,925
10-6050-10	Chapel-Distributions	\$900	\$0	\$0		\$900
10-6050-25	Charity-Distributions	\$240	\$0	\$0		\$240
10-6050-40	Seminaries-Distributions	\$6,999	\$0	\$0		\$6,999
10-6050-80	Ministries-Distributions	\$3,250	\$0	\$0		\$3,250
10-6091-05	Administration-Bad Debts	\$25	\$0	\$0		\$25
10-6092-05	Administration-Business Registration Fees	\$20	\$0	\$0		\$20
10-6092-35	Sexual Misconduct Committ-Business Registration F	\$599	\$0	\$0		\$599
10-6095-05	Administration-Bank Fees	\$2,931	\$0	\$0		\$2,931
10-6095-10	Chapel-Bank Fees	\$25	\$0	\$0		\$25
10-6095-17	St Catherine's Representa-Bank Fees	\$3	\$0	\$0		\$3
10-6096-05	Administration-Dues	\$1,986	\$0	\$0		\$1,986
10-6096-07	Executive-Dues	\$45	\$0	\$0		\$45
10-6096-09	External Affairs-Dues	\$11,326	\$0	\$0		\$11,326
10-6096-15	Metropolitan's Office-Dues	\$1,422	\$0	\$0		\$1,422
10-6096-80	Ministries-Dues	\$1,175	\$0	\$0		\$1,175
10-6105-05	Administration-Food	\$2,628	\$0	\$0		\$2,628
10-6105-08	Archives-Food	\$118	\$0	\$0		\$118
10-6105-10	Chapel-Food	\$2,650	\$0	\$0		\$2,650
10-6105-14	Holy Synod-Food	\$4,868	\$0	\$0		\$4,868
10-6105-16	Metropolitan Council-Food	\$1,679	\$0	\$0		\$1,679
10-6110-05	Administration-Flowers/Candles/Liturgical item	\$9,043	\$0	\$0		\$9,043
10-6110-10	Chapel-Flowers/Candles/Liturgical item	\$3,430	\$0	\$0		\$3,430
10-6110-15	Metropolitan's Office-Flowers/Candles/Liturgical ite	\$1,766	\$0	\$0		\$1,766
10-6115-05	Administration-Office Expense - Other	(\$1,000)	\$0	\$0		(\$1,000)

			Temporarily	Permanently	
		Unrestricted	Restricted	Restricted	Total
10-6210-05	Administration-Contract Services	\$11,569	\$0	\$0	\$11,569
10-6211-05	Administration-Accounting Fees	\$18,100	\$0	\$0	\$18,100
10-6211-90	Trusts-Accounting Fees	\$700	\$0	\$0	\$700
10-6214-05	Administration-Legal Fees	\$21,179	\$0	\$0	\$21,179
10-6215-05	Administration-Outside Contract Services	\$26,500	\$0	\$0	\$26,500
10-6215-08	Archives-Outside Contract Services	\$36,717	\$0	\$0	\$36,717
10-6215-10	Chapel-Outside Contract Services	\$3,900	\$0	\$0	\$3,900
10-6215-11	Property Support-Outside Contract Services	\$162	\$0	\$0	\$162
10-6215-12	TOC-Outside Contract Services	\$24,990	\$0	\$0	\$24,990
10-6215-13	Communications-Outside Contract Services	\$40,746	\$0	\$0	\$40,746
10-6215-14	Holy Synod-Outside Contract Services	\$516	\$0	\$0	\$516
10-6215-17	St Catherine's Representa-Outside Contract Services	\$600	\$0	\$0	\$600
10-6215-34	Ordination Candidate Test-Outside Contract Services	\$15,071	\$0	\$0	\$15,071
10-6215-35	Sexual Misconduct Committ-Outside Contract Services	\$30,717	\$0	\$0	\$30,717
10-6215-39	Strategic Planning-Outside Contract Services	\$10,416	\$0	\$0	\$10,416
10-6215-80	Ministries-Outside Contract Services	\$5,770	\$0	\$0	\$5,770
10-6273-11	Property Support-Real Estate, Personal Prop Tax	\$37,746	\$0	\$0	\$37,746
10-6284-10	Chapel-Equip Rental and Maintenance	\$1,298	\$0	\$0	\$1,298
10-6284-11	Property Support-Equip Rental and Maintenance	\$385	\$0	\$0	\$385
10-6286-11	Property Support-Lawn	\$32,960	\$0	\$0	\$32,960
10-6287-11	Property Support-Exterminating	\$440	\$0	\$0	\$440
10-6288-11	Property Support-Garbage Removal	\$1,920	\$0	\$0	\$1,920
10-6290-11	Property Support-Repairs expense	\$1,022	\$0	\$0	\$1,022
10-6501-05	Administration-Books, Subscriptions, Dues	\$150	\$0	\$0	\$150
10-6502-05	Administration-Postage, Mailing Service	\$5,508	\$0	\$0	\$5,508
10-6502-07	Executive-Postage, Mailing Service	\$24	\$0	\$0	\$24
10-6502-14	Holy Synod-Postage, Mailing Service	\$218	\$0	\$0	\$218
10-6502-15	Metropolitan's Office-Postage, Mailing Service	\$12	\$0	\$0	\$12
10-6502-17	St Catherine's Representa-Postage, Mailing Service	\$25	\$0	\$0	\$25
10-6502-80	Ministries-Postage, Mailing Service	\$6	\$0	\$0	\$6
10-6503-05	Administration-Printing and Copying	\$4,187	\$0	\$0	\$4,187
10-6504-05	Administration-Supplies	\$4,717	\$0	\$0	\$4,717
10-6504-07	Executive-Supplies	\$56	\$0	\$0	\$56
10-6504-08	Archives-Supplies	\$867	\$0	\$0	\$867
10-6504-10	Chapel-Supplies	\$1,477	\$0	\$0	\$1,477
10-6504-11	Property Support-Supplies	\$2,190	\$0	\$0	\$2,190
10-6504-14	Holy Synod-Supplies	\$794	\$0	\$0	\$794
10-6504-15	Metropolitan's Office-Supplies	\$329	\$0	\$0	\$329
10-6504-20	FOS-Supplies	\$384	\$0	\$0	\$384
10-6504-80	Ministries-Supplies	\$1,735	\$0	\$0	\$1,735
10-6505-05	Administration-Telephone, Telecommunications	\$2,178	\$0	\$0	\$2,178
10-6505-09	External Affairs-Telephone, Telecommunications	\$455	\$0	\$0	\$455
10-6506-09	External Affairs-Internet	\$330	\$0	\$0	\$330
10-6507-05	Administration-Equipment leasing	\$23,845	\$0	\$0	\$23,845
10-6511-05	Administration-Advertising Expenses	\$1,000	\$0	\$0	\$1,000
10-6512-05	Administration-Insurance - Liability, D and O	\$421	\$0	\$0	\$421
10-6515-80	Ministries-Memberships	\$12,000	\$0	\$0	\$12,000
10-6600-05	Administration-Salaries	\$220,664	\$0	\$0	\$220,664
10-6600-07	Executive-Salaries	\$353,732	\$0	\$0	\$353,732
10-6600-08	Archives-Salaries	\$64,969	\$0	\$0	\$64,969
10-6600-09	External Affairs-Salaries	\$36,149	\$0	\$0	\$36,149
10-6600-11	Property Support-Salaries	\$47,427	\$0	\$0	\$47,427
10-6600-35	Sexual Misconduct Committ-Salaries	\$40,950	\$0	\$0	\$40,950
10-6605-05	Administration-Payroll Expense	\$1,512	\$0	\$0	\$1,512
10-6605-17	St Catherine's Representa-Payroll Expense	\$20,000	\$0	\$0	\$20,000
10-6606-05	Administration-FICA/MED	\$16,881	\$0	\$0	\$16,881
10-6606-07	Executive-FICA/MED	\$3,965	\$0	\$0	\$3,965
10-6606-08	Archives-FICA/MED	\$4,970	\$0	\$0	\$4,970
10-6606-11	Property Support-FICA/MED	\$3,628	\$0	\$0	\$3,628
10-6606-35	Sexual Misconduct Committ-FICA/MED	\$3,169	\$0	\$0	\$3,169
10-6607-05	Administration-Unemployment Ins W/H	\$198	\$0	\$0	\$198
10-6607-07	Executive-Unemployment Ins W/H	\$1,055	\$0	\$0	\$1,055
10-6607-08	Archives-Unemployment Ins W/H	\$182	\$0	\$0	\$182
10-6607-09	External Affairs-Unemployment Ins W/H	\$101	\$0	\$0	\$101

			Temporarily	Permanently	
		Unrestricted	Restricted	Restricted	Total
10-6607-11	Property Support-Unemployment Ins W/H	\$133	\$0	\$0	\$133
10-6607-35	Sexual Misconduct Committ-Unemployment Ins W/H	\$115	\$0	\$0	\$115
10-6609-05	Administration-Payroll Processing Fees	\$1,914	\$0	\$0	\$1,914
10-6610-05	Administration-Health Insurance	\$36,094	\$0	\$0	\$36,094
10-6610-07	Executive-Health Insurance	\$33,761	\$0	\$0	\$33,761
10-6610-08	Archives-Health Insurance	\$26,822	\$0	\$0	\$26,822
10-6610-11	Property Support-Health Insurance	\$9,393	\$0	\$0	\$9,393
10-6610-15	Metropolitan's Office-Health Insurance	\$751	\$0	\$0	\$751
10-6610-35	Sexual Misconduct Committ-Health Insurance	\$9,394	\$0	\$0	\$9,394
10-6620-05	Administration-Life Insurance	\$5,087	\$0	\$0	\$5,087
10-6640-05	Administration-Workers Compensation/Disability	\$6,033	\$0	\$0	\$6,033
10-6640-07	Executive-Workers Compensation/Disability	\$133	\$0	\$0	\$133
10-6640-08	Archives-Workers Compensation/Disability	\$26	\$0	\$0	\$26
10-6640-09	External Affairs-Workers Compensation/Disability	\$26	\$0	\$0	\$26
10-6640-11	Property Support-Workers Compensation/Disability	\$55	\$0	\$0	\$55
10-6640-35	Sexual Misconduct Committ-Workers Compensation	\$55	\$0	\$0	\$55
10-6650-05	Administration-Stipends	\$8,763	\$0	\$0	\$8,763
10-6650-10	Chapel-Stipends	\$2,250	\$0	\$0	\$2,250
10-6650-13	Communications-Stipends	\$70	\$0	\$0	\$70
10-6650-14	Holy Synod-Stipends	\$14,400	\$0	\$0	\$14,400
10-6650-15	Metropolitan's Office-Stipends	\$300	\$0	\$0	\$300
10-6650-17	St Catherine's Representa-Stipends	\$1,750	\$0	\$0	\$1,750
10-6650-80	Ministries-Stipends	\$53,475	\$0	\$0	\$53,475
10-6667-15	Metropolitan's Office-Chaplains - Stipends	\$6,000	\$0	\$0	\$6,000
10-6670-05	Administration-Computer expense	\$3,854	\$0	\$0	\$3,854
10-6670-13	Communications-Computer expense	\$4,929	\$0	\$0	\$4,929
10-6680-05	Administration-Pension expense	\$15,267	\$0	\$0	\$15,267
10-6680-07	Executive-Pension expense	\$25,078	\$0	\$0	\$25,078
10-6680-08	Archives-Pension expense	\$5,186	\$0	\$0	\$5,186
10-6680-09	External Affairs-Pension expense	\$2,683	\$0	\$0	\$2,683
10-6680-11	Property Support-Pension expense	\$3,782	\$0	\$0	\$3,782
10-6701-11	Property Support-Heating oil	\$10,177	\$0	\$0	\$10,177
10-6703-11	Property Support-Water	\$130	\$0	\$0	\$130
10-6705-11	Property Support-Electricity	\$12,286	\$0	\$0	\$12,286
10-6705-17	St Catherine's Representa-Electricity	\$4,096	\$0	\$0	\$4,096
10-6720-05	Administration-Telephone	\$4,044	\$0	\$0	\$4,044
10-6720-09	External Affairs-Telephone	\$3,907	\$0	\$0	\$3,907
10-6725-05	Administration-Mobil Phones	\$702	\$0	\$0	\$702
10-6725-07	Executive-Mobil Phones	\$3,897	\$0	\$0	\$3,897
10-6725-17	St Catherine's Representa-Mobil Phones	\$7	\$0	\$0	\$7
10-6727-05	Administration-Telecommunications	\$1,096	\$0	\$0	\$1,096
10-6733-05	Administration-Website	\$1,194	\$0	\$0	\$1,194
10-6733-13	Communications-Website	(\$1)	\$0	\$0	(\$1)
10-6733-20	SOCA-Website	\$469	\$0	\$0	\$469
10-6733-80	Ministries-Website	\$876	\$0	\$0	\$876
10-6750-11	Property Support-Insurance	\$35,713	\$0	\$0	\$35,713
10-6831-05	Administration-Conference, Convention, Meeting	\$2,262	\$0	\$0	\$2,262
10-6831-09	External Affairs-Conference, Convention, Meeting	\$345	\$0	\$0	\$345
10-6831-15	Metropolitan's Office-Conference, Convention, Meet	\$1,645	\$0	\$0	\$1,645
10-6831-80	Ministries-Conference, Convention, Meeting	\$635	\$0	\$0	\$635
10-6832-05	Administration-Travel	\$8,893	\$0	\$0	\$8,893
10-6832-07	Executive-Travel	\$1,244	\$0	\$0	\$1,244
10-6832-08	Archives-Travel	\$2,968	\$0	\$0	\$2,968
10-6832-09	External Affairs-Travel	\$14,276	\$0	\$0	\$14,276
10-6832-14	Holy Synod-Travel	\$18,800	\$0	\$0	\$18,800
10-6832-15	Metropolitan's Office-Travel	\$39,286	\$0	\$0	\$39,286
10-6832-16	Metropolitan Council-Travel	\$13,974	\$0	\$0	\$13,974
10-6832-17	St Catherine's Representa-Travel	\$22,063	\$0	\$0	\$22,063
10-6832-29	Theological Education Boa-Travel	\$516	\$0	\$0	\$516
10-6832-35	Sexual Misconduct Committ-Travel	(\$177)	\$0	\$0	(\$177)
10-6832-39	Strategic Planning-Travel	\$309	\$0	\$0	\$309
10-6832-50	All American-Travel	\$531	\$0	\$0	\$531
10-6832-80	Ministries-Travel	\$9,243	\$0	\$0	\$9,243
10-6833-05	Administration-Lodging	\$3,773	\$0	\$0	\$3,773



		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
10-6833-07	Executive-Lodging	\$3,511	\$0	\$0	\$3,511
10-6833-08	Archives-Lodging	\$2,090	\$0	\$0	\$2,090
10-6833-09	External Affairs-Lodging	\$505	\$0	\$0	\$505
10-6833-14	Holy Synod-Lodging	\$8,446	\$0	\$0	\$8,446
10-6833-15	Metropolitan's Office-Lodging	\$3,333	\$0	\$0	\$3,333
10-6833-16	Metropolitan Council-Lodging	\$17,130	\$0	\$0	\$17,130
10-6833-17	St Catherine's Representa-Lodging	\$3,189	\$0	\$0	\$3,189
10-6833-29	Theological Education Boa-Lodging	\$220	\$0	\$0	\$220
10-6834-05	Administration-Meals	\$2,083	\$0	\$0	\$2,083
10-6834-07	Executive-Meals	\$887	\$0	\$0	\$887
10-6834-08	Archives-Meals	\$26	\$0	\$0	\$26
10-6834-09	External Affairs-Meals	\$79	\$0	\$0	\$79
10-6834-14	Holy Synod-Meals	\$13,592	\$0	\$0	\$13,592
10-6834-15	Metropolitan's Office-Meals	\$4,670	\$0	\$0	\$4,670
10-6834-16	Metropolitan Council-Meals	\$1,202	\$0	\$0	\$1,202
10-6834-17	St Catherine's Representa-Meals	\$4,122	\$0	\$0	\$4,122
10-6900-11	Property Support-Automobile	(\$80)	\$0	\$0	(\$80)
10-6900-15	Metropolitan's Office-Automobile	\$788	\$0	\$0	\$788
10-6901-11	Property Support-Auto insurance	\$2,002	\$0	\$0	\$2,002
10-6902-15	Metropolitan's Office-Auto repairs	\$828	\$0	\$0	\$828
10-6903-05	Administration-Auto gasoline	\$1,629	\$0	\$0	\$1,629
10-6903-11	Property Support-Auto gasoline	\$32	\$0	\$0	\$32
10-6990-11	Property Support-Depreciation expense	\$20,593	\$0	\$0	\$20,593
20-6050-25	Charity-Distributions	\$0	\$2,790	\$0	\$2,790
20-6050-30	Missions and Planting Gra-Distributions	\$101,500	\$0	\$0	\$101,500
20-6050-40	Seminaries-Distributions	\$0	\$2,325	\$0	\$2,325
20-6050-80	Ministries-Distributions	\$0	\$800	\$0	\$800
20-6050-90	Trusts-Distributions	\$0	\$7,413	\$0	\$7,413
20-6051-25	Charity-Charity distribution	\$0	\$2,000	\$0	\$2,000
20-6059-90	Trusts-Distrib. - L. Kavalenko	\$0	\$1,879	\$0	\$1,879
20-6095-25	Charity-Bank Fees	\$0	\$33	\$0	\$33
20-6105-50	All American-Food	\$0	\$52	\$0	\$52
20-6215-50	All American-Outside Contract Services	\$0	\$5,107	\$0	\$5,107
20-6217-90	Trusts-Investment Advisory fees	\$0	\$12,189	\$0	\$12,189
20-6502-50	All American-Postage, Mailing Service	\$0	\$198	\$0	\$198
20-6504-30	Missions and Planting Gra-Supplies	\$0	\$550	\$0	\$550
20-6504-50	All American-Supplies	\$0	\$496	\$0	\$496
20-6650-50	All American-Stipends	\$0	\$6,000	\$0	\$6,000
20-6831-50	All American-Conference, Convention, Meeting	\$0	\$377	\$0	\$377
20-6832-30	Missions and Planting Gra-Travel	\$0	\$13,639	\$0	\$13,639
20-6832-50	All American-Travel	\$0	\$6,853	\$0	\$6,853
20-6833-30	Missions and Planting Gra-Lodging	\$0	\$8,737	\$0	\$8,737
20-6833-50	All American-Lodging	\$0	\$2,356	\$0	\$2,356
20-6834-30	Missions and Planting Gra-Meals	\$0	\$195	\$0	\$195
20-6834-50	All American-Meals	\$0	\$19	\$0	\$19
	<b>Total Expenses</b>	<b>\$1,968,072</b>	<b>\$74,007</b>	<b>\$0</b>	<b>\$2,042,079</b>
<b>Gains</b>					
20-7060-90	Trusts-Unrealized Gains and Losses	\$0	\$176,950	\$0	\$176,950
	<b>Total Gains</b>	<b>\$0</b>	<b>\$176,950</b>	<b>\$0</b>	<b>\$176,950</b>
<b>Losses</b>					
20-7500-90	Trusts-Change in value of unitrusts	(\$438)	\$0	\$0	(\$438)
	<b>Total Losses</b>	<b>(\$438)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$438)</b>
	<b>BEGINNING NET ASSETS</b>	<b>\$126,478</b>	<b>\$1,669,036</b>	<b>\$1,031,351</b>	<b>\$2,826,865</b>
	<b>NET SURPLUS/(DEFICIT)</b>	<b>\$4,038</b>	<b>\$324,609</b>	<b>\$2,765</b>	<b>\$331,412</b>
	<b>ENDING NET ASSETS</b>	<b>\$130,516</b>	<b>\$1,993,645</b>	<b>\$1,034,116</b>	<b>\$3,158,277</b>

## **2. HOLY MYRRHBEARERS MONASTERY FINANCIAL STATEMENTS**

- A. Profit and Loss Statement for the year ended December 31, 2015 and Balance Sheet as of January 1, 2016
- B. Profit and Loss Statement for the year ended December 31, 2016 and Balance Sheet as of January 1, 2017
- C. Profit and Loss Statement for the year ended December 31, 2017

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Accrual Basis

**Holy Myrrhbearers Monastery**  
**Profit & Loss**  
January through December 2015

	Jan - Dec 15
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
43400 · Direct Public Support	
43450 · Individ, Business Contributions	
43451 · Earmarked Donations	11,442.14
43450 · Individ, Business Contributions - Other	265,322.61
Total 43450 · Individ, Business Contributions	276,764.75
Total 43400 · Direct Public Support	276,764.75
45000 · Investments	
45020 · Dividend, Interest (Securities)	1.76
45030 · Interest-Savings, Short-term CD	2.14
Total 45000 · Investments	3.90
46400 · Other Types of Income	
46411 · Royalties for Books etc.	225.98
46412 · Miscellaneous Services	1,458.00
46420 · Inventory Sales	
46421 · Sale of Monastery Books	2,743.15
46422 · Sale of Purchased Books	123.00
46423 · Sale of Cards	3,444.13
46424 · Sale of Farm Products	6,808.23
46426 · Sale of Palestinian Products	431.50
46420 · Inventory Sales - Other	106.65
Total 46420 · Inventory Sales	13,656.66
46430 · Craftwork Commissions	27.75
46430* · Miscellaneous Revenue	1,852.21
46400 · Other Types of Income - Other	1,175.35
Total 46400 · Other Types of Income	18,395.95
48400 · Securities	20,500.00
Total Income	315,664.60
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	588.70
50700 · Cost of Sales - Inventory Sales	
50701 · Book Publishing	1,357.67
50702 · Book Purchases	0.00
50703 · Cost of Card Publication	17.90
50704 · Farm Product Preparation	4,185.73
50706 · Palestinian Product Purchase	1,230.00
50700 · Cost of Sales - Inventory Sales - Other	0.00
Total 50700 · Cost of Sales - Inventory Sales	6,791.30
Total COGS	7,380.00
Gross Profit	308,284.60
<b>Expense</b>	
60300 · Awards and Grants	
60310 · Benefits Paid To or For Members	1,627.50
60320 · Cash Awards and Grants	15.00
60340 · Specific Assist to Individuals	4,618.00
Total 60300 · Awards and Grants	6,260.50
60900 · Business Expenses	
60920 · Business Registration Fees	104.00

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Accrual Basis

# Holy Myrrhbearers Monastery

## Profit & Loss

January through December 2015

	Jan - Dec 15
60950 · UBITaxes	
60951 · Sales Tax Collected	66.65
Total 60950 · UBITaxes	66.65
60900 · Business Expenses - Other	1,105.39
Total 60900 · Business Expenses	1,276.04
62100 · Contract Services	
62110 · Accounting Fees	6,414.95
62150 · Outside Contract Services	315.00
62160 · Credit Card & Bank Fees	1,887.73
Total 62100 · Contract Services	8,617.68
62170 · Bank Account Overdraft Charges	303.50
62800 · Facilities and Equipment	
62815 · Building and Renovation	9,419.72
62820 · Grounds & Landscaping	15,404.11
62840 · Equip Rental and Maintenance	2,684.54
62841 · Household Equipment	99.82
62870 · Property Insurance	4,832.19
62880 · Real Estate, Personal Prop Tax	6,341.34
62890 · Utilities, Fuel & Electric Co	3,425.49
62800 · Facilities and Equipment - Other	887.70
Total 62800 · Facilities and Equipment	43,094.91
65000 · Operations	
65010 · Books, Subscriptions, Reference	
65011 · Library	1,215.79
65010 · Books, Subscriptions, Reference - Other	225.27
Total 65010 · Books, Subscriptions, Reference	1,441.06
65020 · Postage, Mailing Service	3,075.89
65030 · Printing and Copying	2,725.00
65040 · Supplies	482.63
65050 · Telephone, Telecommunications	2,676.94
65060 · Computers and Internet	
65061 · Credit Card Processing	240.20
65060 · Computers and Internet - Other	3,388.28
Total 65060 · Computers and Internet	3,628.48
65000 · Operations - Other	1,001.36
Total 65000 · Operations	15,031.36
65100 · Other Types of Expenses	
65110 · Advertising Expenses	
65112 · Marketing, Display Expenses etc	575.00
65110 · Advertising Expenses - Other	545.55
Total 65110 · Advertising Expenses	1,120.55
65120 · Insurance - Liability, D and O	
65121 · Life Insurance	1,368.32
65120 · Insurance - Liability, D and O - Other	86.25
Total 65120 · Insurance - Liability, D and O	1,454.57
65150 · Memberships and Dues	706.00
65151 · Church Obligations & Charity	12,337.00
65161 · Chapel Expenses	1,966.42
Total 65100 · Other Types of Expenses	17,584.54
66900 · Reconciliation Discrepancies	109.78

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Accrual Basis

# Holy Myrrhbearers Monastery

## Profit & Loss

January through December 2015

	Jan - Dec 15
<b>67000 · Monastic Household</b>	
67001 · General Maintenance & Upkeep	7,149.11
67002 · Food and Groceries	11,869.48
67003 · Shoes and Clothing	249.01
67004 · Health Care	11,799.87
67005 · Pet Food and Upkeep	1,066.31
67006 · Vehicle Insurance	1,046.50
67007 · Vehicle Gas & Maintenance	5,775.40
67009 · Personal	1,230.21
67011 · Kitchen Garden	237.39
67015 · Indoor House Plants	58.31
67016 · Otsego Dental Care	0.00
67017 · Travel	0.00
67018 · Dining Out	0.00
67019 · Emery & Webb, Inc.	
67020 · Systems East Inc.	0.00
67019 · Emery & Webb, Inc. - Other	0.00
<b>Total 67019 · Emery &amp; Webb, Inc.</b>	<b>0.00</b>
<b>67000 · Monastic Household - Other</b>	<b>634.88</b>
<b>Total 67000 · Monastic Household</b>	<b>41,116.47</b>
<b>67014 · Vehicle Registration</b>	<b>189.50</b>
<b>67200 · Guest Ministry &amp; Hospitality</b>	
67201 · Guest House Phone Utilities etc	1,922.36
67200 · Guest Ministry & Hospitality - Other	18.74
<b>Total 67200 · Guest Ministry &amp; Hospitality</b>	<b>1,941.10</b>
<b>67500 · Zoar Farms</b>	
67 · Farm Vehicle Insurance	225.15
67501 · Livestock Feed	20,083.63
67502 · Routine Farm Maintenance	259.96
67503 · Livestock Vet Care & Meds	1,973.60
67505 · Memberships & Subscriptions	125.00
67506 · Barn Maintenance & Renovation	11.00
67507 · Farm Vehicle Gas & Maintenance	2,133.61
67509 · Animal Pedigree Registration	525.00
67510 · Dairy Supplies	8.69
67512 · Livestock Purchase	517.00
67513 · FARM DOG LICENCING	26.00
67500 · Zoar Farms - Other	59.00
<b>Total 67500 · Zoar Farms</b>	<b>25,947.64</b>
<b>68300 · Travel and Meetings</b>	
68310 · Conference, Convention, Meeting	
68311 · Training Workshops	395.00
<b>Total 68310 · Conference, Convention, Meeting</b>	<b>395.00</b>
<b>68320 · Travel</b>	<b>1,258.85</b>
<b>Total 68300 · Travel and Meetings</b>	<b>1,653.85</b>
<b>69800 · Uncategorized Expenses</b>	<b>700.00</b>
<b>ADJUST · Inventory Adjustment</b>	<b>353,475.60</b>
<b>Total Expense</b>	<b>517,302.47</b>
<b>Net Ordinary Income</b>	<b>-209,017.87</b>
<b>Net Income</b>	<b>-209,017.87</b>

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Accrual Basis

**Holy Myrrhbearers Monastery**  
**Balance Sheet**  
As of January 1, 2016

	Jan 1, 16
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
checking	1,756.96
regular savings	23,083.56
special savings	1,601.73
- • Petty Cash	173.96
* • House Checking Account	620.97
<b>Total Checking/Savings</b>	27,237.18
<b>Accounts Receivable</b>	
11100 • Allowance for Doubtful Accounts	750.89
11400 • Grants Receivable	
11401 • Reimbursements	-13.80
11400 • Grants Receivable - Other	-38.14
<b>Total 11400 • Grants Receivable</b>	-51.94
<b>Total Accounts Receivable</b>	698.95
<b>Other Current Assets</b>	
12000 • Undeposited Funds	7,385.73
12100 • Inventory Asset	
12101 • Books Published by Monastery	1,413.00
12102 • Purchased Books	370.00
12103 • Card Inventory	152,967.95
12104 • Farm Products	3,344.10
12106 • Palestinian Products	2,562.00
12100 • Inventory Asset - Other	34,789.10
<b>Total 12100 • Inventory Asset</b>	195,446.15
13000 • Prepaid Expenses	118.47
13500 • Supplies Inventory	
13501 • Farm Equipment	5,012.81
13502 • Yard & Garden Equipment	1,196.28
13500 • Supplies Inventory - Other	553.24
<b>Total 13500 • Supplies Inventory</b>	6,762.33
<b>Total Other Current Assets</b>	209,712.68
<b>Total Current Assets</b>	237,648.81
<b>Fixed Assets</b>	
15000 • Furniture and Equipment	7,303.70
15100 • Buildings - Operating	
15101 • Main Monastery	371,676.57
15103 • Guest House ("Millhouse")	75,126.77
15104 • Main Barn	32,381.06
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
15110 • Monastery Chapel - Other	1,450.00
<b>Total 15110 • Monastery Chapel</b>	10,485.00
15114 • Baptist Church	67,946.35
15100 • Buildings - Operating - Other	800.00
<b>Total 15100 • Buildings - Operating</b>	583,876.74
15500 • Facility Construction	302.70

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Accrual Basis

**Holy Myrrhbearers Monastery**  
**Balance Sheet**  
As of January 1, 2016

	Jan 1, 16
15700 • Land - Operating	
15701 • Main Monastery Property	71,812.50
15702 • Millhouse Property	3,201.92
Total 15700 • Land - Operating	75,014.42
15900 • Leasehold Improvements	2,000.00
16400 • Vehicles	25,260.90
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
Total 17400 • Accum Depr - Vehicles	43,030.75
Total Fixed Assets	749,749.26
Other Assets	
18000 • Marketable Securities	119,435.89
18100 • Land and Buildings - Investment	4,190.00
18300 • Other Investments	10,000.00
18600 • Other Assets	
18601 • Zoar Farms Livestock	5,776.16
Total 18600 • Other Assets	5,776.16
18800 • Restricted Contributions	318,000.00
Total Other Assets	457,402.05
<b>TOTAL ASSETS</b>	<b>1,444,800.12</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Long Term Liabilities	
27100 • Notes, Mortgages, and Leases	
27101 • RBO Note	-339.10
27100 • Notes, Mortgages, and Leases - Other	-276.06
Total 27100 • Notes, Mortgages, and Leases	-615.16
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
Total 27301 • Postulant Trust Holding	-16,391.30
Total 27300 • Refundable Deposits Payable	-16,391.30
Total Long Term Liabilities	-26,700.33
Total Liabilities	-26,700.33
Equity	
30000 • Opening Bal Equity	1,133,452.37
32000 • Unrestricted Net Assets	338,512.52
Net Income	-464.44
Total Equity	1,471,500.45
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,444,800.12</b>

# Holy Myrrhbearers Monastery

## Profit & Loss

January through December 2016

	Jan - Dec 16
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
43400 · Direct Public Support	
43450 · Individ, Business Contributions	
43451 · Earmarked Donations	1,546.82
43450 · Individ, Business Contributions - Other	121,829.70
<b>Total 43450 · Individ, Business Contributions</b>	<b>123,376.52</b>
43460 · Legacies and Bequests	0.00
43400 · Direct Public Support - Other	1,000.00
<b>Total 43400 · Direct Public Support</b>	<b>124,376.52</b>
45000 · Investments	
45020 · Dividend, Interest (Securities)	0.27
45030 · Interest-Savings, Short-term CD	1.24
<b>Total 45000 · Investments</b>	<b>1.51</b>
46400 · Other Types of Income	
46420 · Inventory Sales	
46421 · Sale of Monastery Books	3,470.65
46422 · Sale of Purchased Books	171.00
46423 · Sale of Cards	3,579.11
46424 · Sale of Farm Products	7,200.50
46426 · Sale of Palestinian Products	844.50
46420 · Inventory Sales - Other	20.00
<b>Total 46420 · Inventory Sales</b>	<b>15,285.76</b>
46430* · Miscellaneous Revenue	
46441 · Reimbursements	52.38
46430* · Miscellaneous Revenue - Other	3,847.84
<b>Total 46430* · Miscellaneous Revenue</b>	<b>3,900.22</b>
46400 · Other Types of Income - Other	45.70
<b>Total 46400 · Other Types of Income</b>	<b>19,231.68</b>
48400 · Securities	46,005.00
<b>Total Income</b>	<b>189,614.71</b>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	908.60
50700 · Cost of Sales - Inventory Sales	
50701 · Book Publishing	-40.80
50702 · Book Purchases	0.00
50703 · Cost of Card Publication	594.19
50704 · Farm Product Preparation	2,304.19
50706 · Palestinian Product Purchase	429.23
50707 · Ecuadorean Weaving	500.00
50700 · Cost of Sales - Inventory Sales - Other	0.00
<b>Total 50700 · Cost of Sales - Inventory Sales</b>	<b>3,786.81</b>
<b>Total COGS</b>	<b>4,695.41</b>
<b>Gross Profit</b>	<b>184,919.30</b>
<b>Expense</b>	
60900 · Business Expenses	
60920 · Business Registration Fees	312.00
<b>Total 60900 · Business Expenses</b>	<b>312.00</b>
60952 · Sales tax paid	63.31



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Accrual Basis

# Holy Myrrhbearers Monastery

## Profit & Loss

### January through December 2016

	Jan - Dec 16
62100 · Contract Services	
62110 · Accounting Fees	6,894.20
62150 · Outside Contract Services	13,385.46
62160 · Credit Card & Bank Fees	1,057.23
<b>Total 62100 · Contract Services</b>	<b>21,336.89</b>
62166 · Bank wire fees	110.00
62167 · Stop Payment Fee	32.00
62170 · Bank Account Overdraft Charges	64.00
62800 · Facilities and Equipment	
62820 · Grounds & Landscaping	15,055.67
62840 · Equip Rental and Maintenance	1,287.34
62841 · Household Equipment	131.14
62880 · Real Estate, Personal Prop Tax	6,409.40
62890 · Utilities, Fuel & Electric Co	4,876.13
62800 · Facilities and Equipment - Other	449.92
<b>Total 62800 · Facilities and Equipment</b>	<b>28,209.60</b>
65000 · Operations	
65010 · Books, Subscriptions, Reference	
65011 · Library	1,090.54
65010 · Books, Subscriptions, Reference - Other	190.94
<b>Total 65010 · Books, Subscriptions, Reference</b>	<b>1,281.48</b>
65020 · Postage, Mailing Service	1,571.92
65040 · Supplies	3,183.22
65050 · Telephone, Telecommunications	2,012.42
65060 · Computers and Internet	
65061 · Credit Card Processing	925.62
65060 · Computers and Internet - Other	3,351.94
<b>Total 65060 · Computers and Internet</b>	<b>4,277.56</b>
65070 · Customer Refunds	56.82
65000 · Operations - Other	1,060.00
<b>Total 65000 · Operations</b>	<b>13,443.42</b>
65100 · Other Types of Expenses	
65110 · Advertising Expenses	
65112 · Marketing, Display Expenses etc	270.00
65110 · Advertising Expenses - Other	42.00
<b>Total 65110 · Advertising Expenses</b>	<b>312.00</b>
65120 · Insurance - Liability, D and O	
65121 · Life Insurance	2,444.12
65122 · Workers' Compensation Insurance	780.97
65120 · Insurance - Liability, D and O - Other	714.81
<b>Total 65120 · Insurance - Liability, D and O</b>	<b>3,939.90</b>
65150 · Memberships and Dues	529.00
65151 · Church Obligations & Charity	11,615.99
65161 · Chapel Expenses	2,537.86
65100 · Other Types of Expenses - Other	7,450.00
<b>Total 65100 · Other Types of Expenses</b>	<b>26,384.75</b>
66900 · Reconciliation Discrepancies	-0.46

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Accrual Basis

# Holy Myrrhbearers Monastery

## Profit & Loss

### January through December 2016

	Jan - Dec 16
67000 · Monastic Household	
67001 · General Maintenance & Upkeep	4,497.37
67002 · Food and Groceries	10,284.47
67003 · Shoes and Clothing	101.04
67004 · Health Care	11,136.24
67005 · Pet Food and Upkeep	1,514.50
67006 · Vehicle Insurance	2,541.25
67007 · Vehicle Gas & Maintenance	3,233.78
67009 · Personal	912.27
67011 · Kitchen Garden	684.25
67013 · Vehicle payments	662.83
67015 · Indoor House Plants	227.73
67016 · Otsego Dental Care	365.85
67018 · Dining Out	107.28
67019 · Emery & Webb, Inc.	
67020 · Systems East Inc.	1,606.84
67019 · Emery & Webb, Inc. - Other	1,564.89
Total 67019 · Emery & Webb, Inc.	3,171.73
67000 · Monastic Household - Other	-9,913.55
Total 67000 · Monastic Household	29,527.04
67022 · Guideone - Ins	0.00
67200 · Guest Ministry & Hospitality	
67201 · Guest House Phone Utilities etc	1,737.30
67200 · Guest Ministry & Hospitality - Other	14.36
Total 67200 · Guest Ministry & Hospitality	1,751.66
67500 · Zoar Farms	
67501 · Livestock Feed	15,126.73
67502 · Routine Farm Maintenance	483.52
67503 · Livestock Vet Care & Meds	3,057.67
67504 · Farm Equipment	277.66
67505 · Memberships & Subscriptions	49.20
67506 · Barn Maintenance & Renovation	3,456.41
67507 · Farm Vehicle Gas & Maintenance	1,854.14
67508 · Pastures & Fencing	452.85
67510 · Dairy Supplies	101.79
67512 · Livestock Purchase	90.00
67513 · FARM DOG LICENCING	6.50
67500 · Zoar Farms - Other	75.86
Total 67500 · Zoar Farms	25,032.33
68300 · Travel and Meetings	
68320 · Travel	860.55
Total 68300 · Travel and Meetings	860.55
68321 · Travel Agent Fee	49.95
68322 · Airport fees	11.00
69800 · Uncategorized Expenses	212.75
ADJUST · Inventory Adjustment	4.00
Total Expense	147,404.79
Net Ordinary Income	37,514.51

Holy Myrrhbearers Monastery  
Profit & Loss  
January through December 2016

	Jan - Dec 16
Other Income/Expense	
Other Income	
46415 - expense refund	40.44
Total Other Income	40.44
Net Other Income	40.44
Net Income	37,554.95

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## Holy Myrrhbearers Monastery

## Balance Sheet

05/11/18

As of January 1, 2017

Accrual Basis

	Jan 1, 17
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
- Petty Cash	154.66
5777 · NBT Special Savings	101.81
5789 · NBT Regular Savings 5789	6,525.21
6719 · NBT House Checking	5,723.93
6727 · NBT Checking (Sudoku)	2,091.95
<b>Total Checking/Savings</b>	<b>14,597.56</b>
Accounts Receivable	
11100 · Allowance for Doubtful Accounts	719.49
11400 · Grants Receivable	
11401 · Reimbursements	-13.80
11400 · Grants Receivable - Other	-38.14
<b>Total 11400 · Grants Receivable</b>	<b>-51.94</b>
11500 · Accounts Receivable	
11501 · Barnabas Loan	1,678.00
<b>Total 11500 · Accounts Receivable</b>	<b>1,678.00</b>
<b>Total Accounts Receivable</b>	<b>2,345.55</b>
<b>Other Current Assets</b>	
12000 · Undeposited Funds	7,042.57
12100 · Inventory Asset	
12101 · Books Published by Monastery	1,413.00
12102 · Purchased Books	370.00
12103 · Card Inventory	152,887.95
12104 · Farm Products	3,337.10
12106 · Palestinian Products	2,562.00
12100 · Inventory Asset - Other	33,917.40
<b>Total 12100 · Inventory Asset</b>	<b>194,487.45</b>
12200 · Accrued Revenue	-2,500.00
13000 · Prepaid Expenses	118.47
13500 · Supplies Inventory	
13501 · Farm Equipment	-24,837.19
13502 · Yard & Garden Equipment	1,196.28
13500 · Supplies Inventory - Other	553.24
<b>Total 13500 · Supplies Inventory</b>	<b>-23,087.67</b>
<b>Total Other Current Assets</b>	<b>176,060.82</b>
<b>Total Current Assets</b>	<b>193,003.93</b>
<b>Fixed Assets</b>	
15000 · Furniture and Equipment	7,729.27
15100 · Buildings - Operating	
15101 · Main Monastery	371,676.57
15103 · Guest House ("Millhouse")	75,126.77
15104 · Main Barn	32,381.06
15105 · Buck Barn	9,664.63
15106 · Ox Shed	689.96
15107 · POUSTINIA	27,606.40
15110 · Monastery Chapel	
15111 · Bells & Bell Tower	9,035.00
15110 · Monastery Chapel - Other	1,450.00
<b>Total 15110 · Monastery Chapel</b>	<b>10,485.00</b>

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Accrual Basis

# Holy Myrrhbearers Monastery

## Balance Sheet

As of January 1, 2017

	Jan 1, 17
15114 • Baptist Church	87,684.35
15100 • Buildings - Operating - Other	890.20
<b>Total 15100 • Buildings - Operating</b>	<b>616,204.94</b>
15500 • Facility Construction	302.70
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	25,260.90
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	37,468.00
17400 • Accum Depr - Vehicles - Other	35,412.75
<b>Total 17400 • Accum Depr - Vehicles</b>	<b>72,880.75</b>
<b>Total Fixed Assets</b>	<b>812,353.03</b>
<b>Other Assets</b>	
18000 • Marketable Securities	136,840.89
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>474,807.05</b>
<b>TOTAL ASSETS</b>	<b>1,480,164.01</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
67515 • Kubota Credit Tractor 1	27,184.50
<b>Total Other Current Liabilities</b>	<b>27,184.50</b>
<b>Total Current Liabilities</b>	<b>27,184.50</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>484.17</b>

Holy Myrrhbearers Monastery  
**Balance Sheet**  
As of January 1, 2017

	Jan 1, 17
Equity	
30000 · Opening Bal Equity	1,103,602.37
32000 · Unrestricted Net Assets	376,077.47
Total Equity	1,479,679.84
TOTAL LIABILITIES & EQUITY	1,480,164.01

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05/11/18

Accrual Basis

# Holy Myrrhbearers Monastery

## Profit & Loss

### January through December 2017

	Jan - Dec 17
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
43400 · Direct Public Support	
43450 · Individ, Business Contributions	
43451 · Earmarked Donations	5,653.00
43450 · Individ, Business Contributions - Other	134,667.65
<b>Total 43450 · Individ, Business Contributions</b>	<b>140,320.65</b>
43400 · Direct Public Support - Other	1,675.00
<b>Total 43400 · Direct Public Support</b>	<b>141,995.65</b>
43490 · Customer Donations from Paypal	800.00
45000 · Investments	
45020 · Dividend, Interest (Securities)	0.06
45030 · Interest-Savings, Short-term CD	0.84
<b>Total 45000 · Investments</b>	<b>0.90</b>
46400 · Other Types of Income	
46412 · Miscellaneous Services	1,100.00
46420 · Inventory Sales	
46421 · Sale of Monastery Books	2,877.94
46422 · Sale of Purchased Books	129.00
46423 · Sale of Cards	2,873.19
46424 · Sale of Farm Products	5,278.81
46426 · Sale of Palestinian Products	334.00
46428 · Sale of vestments/repairs	180.00
<b>Total 46420 · Inventory Sales</b>	<b>11,672.94</b>
46430 · Craftwork Commissions	125.00
46430* · Miscellaneous Revenue	
46441 · Reimbursements	111.02
46430* · Miscellaneous Revenue - Other	4,744.84
<b>Total 46430* · Miscellaneous Revenue</b>	<b>4,855.86</b>
46400 · Other Types of Income - Other	-100.00
<b>Total 46400 · Other Types of Income</b>	<b>17,653.80</b>
48400 · Securities	4,336.00
<b>Total Income</b>	<b>164,786.35</b>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	964.03
50700 · Cost of Sales - Inventory Sales	
50701 · Book Publishing	-30.60
50702 · Book Purchases	0.00
50703 · Cost of Card Publication	22.65
50704 · Farm Product Preparation	191.33
50706 · Palestinian Product Purchase	881.00
50700 · Cost of Sales - Inventory Sales - Other	136.35
<b>Total 50700 · Cost of Sales - Inventory Sales</b>	<b>1,200.73</b>
50708 · - ETSY	40.00
<b>Total COGS</b>	<b>2,204.76</b>
<b>Gross Profit</b>	<b>162,581.59</b>
<b>Expense</b>	
18612 · - SS Credit Card	1,500.00

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## Holy Myrrhbearers Monastery

05/11/18

## Profit &amp; Loss

Accrual Basis

January through December 2017

	Jan - Dec 17
<b>60900 · Business Expenses</b>	
60920 · Business Registration Fees	265.00
60940 · Taxes - Not UBIT	1.84
<b>Total 60900 · Business Expenses</b>	<b>266.84</b>
<b>62100 · Contract Services</b>	
62110 · Accounting Fees	7,818.00
62150 · Outside Contract Services	497.50
62160 · Credit Card & Bank Fees	219.47
<b>Total 62100 · Contract Services</b>	<b>8,534.97</b>
<b>62166 · Bank wire fees</b>	<b>50.00</b>
<b>62168 · Bank Deposit Discrepancy</b>	<b>155.63</b>
<b>62170 · Bank Account Overdraft Charges</b>	<b>32.00</b>
<b>62800 · Facilities and Equipment</b>	
62810 · Depr and Amort - Allowable	0.00
62815 · Building and Renovation	5,113.02
62820 · Grounds & Landscaping	3,768.70
62840 · Equip Rental and Maintenance	853.96
62841 · Household Equipment	2,112.60
62870 · Property Insurance	1,617.18
62880 · Real Estate, Personal Prop Tax	2,025.00
62890 · Utilities, Fuel & Electric Co	3,521.07
62800 · Facilities and Equipment - Other	1,490.05
<b>Total 62800 · Facilities and Equipment</b>	<b>20,501.58</b>
<b>65000 · Operations</b>	
65010 · Books, Subscriptions, Reference	
65011 · Library	466.96
65010 · Books, Subscriptions, Reference - Other	368.64
<b>Total 65010 · Books, Subscriptions, Reference</b>	<b>835.60</b>
65020 · Postage, Mailing Service	1,824.30
65030 · Printing and Copying	1,041.08
65040 · Supplies	5,273.46
65050 · Telephone, Telecommunications	2,407.23
65060 · Computers and Internet	
65061 · Credit Card Processing	1,900.44
65060 · Computers and Internet - Other	3,167.55
<b>Total 65060 · Computers and Internet</b>	<b>5,067.99</b>
65070 · Customer Refunds	190.80
65000 · Operations - Other	2,473.00
<b>Total 65000 · Operations</b>	<b>19,113.46</b>
<b>65062 · Eig*iPage</b>	<b>161.91</b>
<b>65100 · Other Types of Expenses</b>	
65110 · Advertising Expenses	45.00
<b>65120 · Insurance - Liability, D and O</b>	
65121 · Life Insurance	1,377.77
65120 · Insurance - Liability, D and O - Other	71.55
<b>Total 65120 · Insurance - Liability, D and O</b>	<b>1,449.32</b>



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**Holy Myrrhbearers Monastery**  
**Profit & Loss**  
 January through December 2017

05/11/18

Accrual Basis

	Jan - Dec 17
65130 · Income Taxes	116.39
65130* · Interest Expense - General	228.18
65150 · Memberships and Dues	761.83
65151 · Church Obligations & Charity	12,984.60
65160 · Other Costs	0.00
65161 · Chapel Expenses	1,499.90
65163 · Misc. Late Fees	91.00
65100 · Other Types of Expenses - Other	510.00
<b>Total 65100 · Other Types of Expenses</b>	<b>17,686.22</b>
66900 · Reconciliation Discrepancies	0.10
67000 · Monastic Household	
67001 · General Maintenance & Upkeep	6,104.63
67002 · Food and Groceries	12,317.64
67003 · Shoes and Clothing	301.43
67004 · Health Care	9,129.08
67005 · Pet Food and Upkeep	1,775.43
67006 · Vehicle Insurance	5,101.50
67007 · Vehicle Gas & Maintenance	3,844.50
67009 · Personal	795.88
67011 · Kitchen Garden	1,098.05
67012 · Sewing	236.65
67015 · Indoor House Plants	482.84
67016 · Otsego Dental Care	200.00
67017 · Travel	0.00
67018 · Dining Out	284.73
67000 · Monastic Household - Other	3,873.12
<b>Total 67000 · Monastic Household</b>	<b>45,545.48</b>
67021 · Vehicle Inspection	42.00
67023 · Vehicle repair	385.48
67024 · vehicle tires	67.35
67200 · Guest Ministry & Hospitality	
67201 · Guest House Phone Utilities etc	1,682.00
67200 · Guest Ministry & Hospitality - Other	14.34
<b>Total 67200 · Guest Ministry &amp; Hospitality</b>	<b>1,696.34</b>
67500 · Zoar Farms	
67501 · Livestock Feed	14,157.23
67502 · Routine Farm Maintenance	1,084.60
67503 · Livestock Vet Care & Meds	2,882.10
67504 · Farm Equipment	1,081.46
67505 · Memberships & Subscriptions	913.58
67506 · Barn Maintenance & Renovation	2,282.02
67507 · Farm Vehicle Gas & Maintenance	1,692.13
67508 · Pastures & Fencing	737.82
67510 · Dairy Supplies	247.19
67512 · Livestock Purchase	725.00
67513 · FARM DOG LICENCING	13.00
<b>Total 67500 · Zoar Farms</b>	<b>25,816.13</b>
67514 · FARM DOG & CAT CARE	678.90
68300 · Travel and Meetings	
68310 · Conference, Convention, Meeting	
68311 · Training Workshops	-250.00
<b>Total 68310 · Conference, Convention, Meeting</b>	<b>-250.00</b>
68320 · Travel	1,508.80
68300 · Travel and Meetings - Other	126.00
<b>Total 68300 · Travel and Meetings</b>	<b>1,384.80</b>

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05/11/18

Accrual Basis

# Holy Myrrhbearers Monastery

## Profit & Loss

January through December 2017

	Jan - Dec 17
68321 · Travel Agent Fee	70.00
68322 · Airport fees	25.00
69800 · Uncategorized Expenses	0.00
ADJUST · Inventory Adjustment	-92.00
<b>Total Expense</b>	<b>143,622.19</b>
<b>Net Ordinary Income</b>	<b>18,959.40</b>
<b>Other Income/Expense</b>	
Other Income	
46415 · expense refund	64.00
<b>Total Other Income</b>	<b>64.00</b>
<b>Net Other Income</b>	<b>64.00</b>
<b>Net Income</b>	<b>19,023.40</b>

### **3. NEW SKETE MONASTERIES INC. FINANCIAL STATEMENTS**

A. Balance Sheets for the years ended December 31, 2015 through 2017

New Skete Monasteries Inc  
**Balance Sheet**  
As of December 31, 2017

	Dec 31, 15	Dec 31, 16	Dec 31, 17
<b>ASSETS</b>			
Current Assets			
Checking/Savings			
Cash on Hand	457.31	164.58	81.22
KeyBank	22,220.19	56,324.81	61,163.60
Total Checking/Savings	22,677.50	56,489.39	61,244.82
Total Current Assets	22,677.50	56,489.39	61,244.82
<b>TOTAL ASSETS</b>	<b>22,677.50</b>	<b>56,489.39</b>	<b>61,244.82</b>
<b>LIABILITIES &amp; EQUITY</b>			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable	5,074.01	889.04	2,424.00
Total Accounts Payable	5,074.01	889.04	2,424.00
Credit Cards			
Capital One #1784	0.00	307.60	0.00
Total Credit Cards	0.00	307.60	0.00
Other Current Liabilities			
Intercompany to Monks of NS	27,000.00	27,000.00	0.00
Intercompany to Nuns of NS	0.00	0.00	30.87
Total Other Current Liabilities	27,000.00	27,000.00	30.87
Total Current Liabilities	32,074.01	28,206.64	2,454.87
<b>Total Liabilities</b>	<b>32,074.01</b>	<b>28,206.64</b>	<b>2,454.87</b>
Equity			
Opening Balance Equity	363.15	363.15	363.15
Retained Earnings	17,132.65	-9,759.68	27,919.80
Net Income	-26,892.31	37,679.28	30,507.20
Total Equity	-9,396.51	28,282.75	58,789.95
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>22,677.50</b>	<b>56,489.39</b>	<b>61,244.82</b>

## **4. THE MONKS OF NEW SKETE FINANCIAL STATEMENTS**

A. Balance Sheets for the years 2015 through 2017

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03/15/18

Accrual Basis

**The Monks of New Skete**  
**Balance Sheet**  
As of December 31, 2017

	Dec 31, 15	Dec 31, 16	Dec 31, 17
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Checking/Savings</b>			
1000000 - Cash			
1000001 - KeyBank			
1000010 - KeyBank #32527009966	235,927.28	201,559.32	281,035.18
<b>Total 1000001 - KeyBank</b>	<b>235,927.28</b>	<b>201,559.32</b>	<b>281,035.18</b>
1000800 - Petty Cash	858.88	599.31	798.83
1000900 - Cash on Hand	2,862.95	549.13	511.73
<b>Total 1000000 - Cash</b>	<b>239,468.91</b>	<b>202,707.76</b>	<b>282,345.84</b>
<b>1100000 - Marketable Securities</b>			
1100200 - American Century All Cap Growth	1,008.59	1,037.40	1,295.40
1109010 - ExxonMobil			
1109001 - Exxon Market Value Adjustment	2,078.18	15,915.24	9,815.29
1109010 - ExxonMobil - Other	79,227.34	79,350.52	82,672.74
<b>Total 1109010 - ExxonMobil</b>	<b>78,303.52</b>	<b>95,265.76</b>	<b>92,288.03</b>
<b>1120000 - Vanguard Group</b>			
1120005 - Prime Money Market Fund	854.77	856.85	862.15
1120015 - Total Stock Mkt Idx Signal	588,440.17	608,187.78	625,294.04
1120025 - REIT Index Fund Signal	189,781.05	201,848.46	212,838.68
1120035 - Inter-Term Treas Fund Admiral	14,533.47	15,814.12	218,777.94
1120040 - International Stock Idx Inv	278,828.03	285,361.21	293,164.38
1120045 - Emerging Mkts Stk Idx Sig	231,116.33	235,813.92	241,488.75
1120099 - Vanguard Market Value Adjustmnt	190,428.83	304,188.29	592,851.19
<b>Total 1120000 - Vanguard Group</b>	<b>1,493,782.85</b>	<b>1,649,450.73</b>	<b>2,184,875.11</b>
<b>Total 1100000 - Marketable Securities</b>	<b>1,573,092.78</b>	<b>1,745,753.89</b>	<b>2,278,458.54</b>
<b>Total Checking/Savings</b>	<b>1,812,581.67</b>	<b>1,948,461.65</b>	<b>2,560,804.38</b>
<b>Accounts Receivable</b>			
1200000 - Accounts Receivable	8,639.32	2,410.47	11,911.01
<b>Total Accounts Receivable</b>	<b>8,639.32</b>	<b>2,410.47</b>	<b>11,911.01</b>
<b>Other Current Assets</b>			
1120 - Inventory Asset	0.00	19,865.81	23,457.25
1400010 - Due from<to> New Skete Farms	319,580.53	174,823.58	174,823.58
<b>Total Other Current Assets</b>	<b>319,580.53</b>	<b>194,789.19</b>	<b>198,280.83</b>
<b>Total Current Assets</b>	<b>2,138,761.52</b>	<b>2,145,661.31</b>	<b>2,770,996.22</b>
<b>Fixed Assets</b>			
<b>1500000 - Property, Plant, &amp; Equipment</b>			
1500010 - Monastery	308,523.48	308,523.48	308,523.48
1500020 - New Church	348,239.23	348,239.23	348,239.23
1500030 - Old church	59,000.00	59,000.00	59,000.00
1500040 - Bell tower	10,000.00	10,000.00	10,000.00
1500050 - Household furnishings	6,196.16	6,196.16	6,196.16
1500060 - Generator	999.00	999.00	999.00
1500070 - Exercise Equipment	9,829.32	9,829.32	9,829.32
1500080 - Appliances	10,860.57	10,860.57	10,860.57
1500100 - Pool	131,200.00	131,200.00	131,200.00
1500110 - Automobiles	132,159.37	175,869.37	175,869.37
1500120 - Trucks	4,000.00	4,000.00	4,000.00
1500130 - Road Improvements	44,788.91	44,788.91	44,788.91
1500140 - Puppy run	25,214.48	25,214.48	25,214.48
1500150 - Puppy kennel	110,000.00	118,000.00	116,000.00
1500160 - Emmaus House	120,147.54	120,147.54	120,351.38
1500170 - Gift shop/guest house	20,000.00	21,118.92	21,118.92
1500172 - New Business Offices	22,897.17	22,897.17	22,897.17
1500174 - Food Manufacturing Equipment	0.00	71,864.59	71,864.59
1500180 - Other fixed assets	3,584.47	10,816.47	10,816.47
1500200 - Computer	4,298.82	4,298.82	4,298.82
1500210 - Telephone System	21,239.46	21,239.46	21,239.46
1500220 - Husqvarna Lawn Mower-2013	7,588.95	7,588.95	7,588.95
1500230 - 2013 New Training Facility	648,383.84	659,803.84	659,803.84
1500240 - New Tractor-2014	25,500.00	25,500.00	25,500.00
1500250 - Smokehouse-2014	40,150.70	40,150.70	40,225.70
1500260 - 2015 Building Improvements	5,448.98	12,602.58	12,602.58
1500261 - 2016 Building Improvements	0.00	35,637.00	88,716.38
1500262 - 2016-17 Holy Transfiguration T	0.00	181,768.12	438,113.65
1500263 - 2017-EZ Lift	0.00	0.00	6,935.00
1508000 - Dogs	0.00	21,987.98	29,133.40
1509000 - Land	35,000.00	35,000.00	35,000.00
<b>Total 1500000 - Property, Plant, &amp; Equipment</b>	<b>2,154,818.23</b>	<b>2,542,530.44</b>	<b>2,864,434.61</b>
<b>1500005 - Accumulated Depreciation</b>			
1500015 - Acc Depr - Bldg	-223,452.26	-223,452.26	-223,452.26
1500025 - Acc Depr - New Church	-250,833.89	-250,833.89	-250,833.89
1500035 - Acc Depr - Old Church	-48,738.88	-48,738.88	-48,738.88
1500045 - Acc Depr - Bell Tower	-10,000.00	-10,000.00	-10,000.00
1500055 - Acc Depr - Household Furnishing	-3,967.85	-3,967.85	-3,967.85
1500065 - Acc Depr - Generator	-999.00	-999.00	-999.00
1500075 - Acc Depr - Exercise Equip	-9,829.32	-9,829.32	-9,829.32
1500085 - Acc Depr - Appliances	-1,824.52	-1,824.52	-1,824.52
1500105 - Acc Depr - Pool	-131,200.00	-131,200.00	-131,200.00
1500115 - Acc Depr - Automobiles	-64,343.88	-64,343.88	-64,343.88
1500135 - Acc Depr - Road	-19,829.22	-19,829.22	-19,829.22
1500145 - Acc Depr - Puppy run	-10,506.01	-10,506.01	-10,506.01
1500155 - Acc Depr - Kennel	-88,166.70	-88,166.70	-88,166.70
1500165 - Acc Depr - Emmaus House	-114,000.00	-114,000.00	-114,000.00
1500175 - Acc Depr - Gift Shop	-20,000.00	-20,000.00	-20,000.00
1500185 - Acc Depr - Other f/a	-2,822.47	-2,822.47	-2,822.47
1500205 - Acc Depr - Computer	-3,520.05	-3,520.05	-3,520.05
1508005 - Acc Depr-Dogs	0.00	-7,223.00	-11,281.00
<b>Total 1500005 - Accumulated Depreciation</b>	<b>-1,001,233.85</b>	<b>-1,008,456.85</b>	<b>-1,012,524.85</b>
<b>Total Fixed Assets</b>	<b>1,153,584.38</b>	<b>1,534,073.59</b>	<b>1,851,909.76</b>
<b>TOTAL ASSETS</b>	<b>3,292,375.90</b>	<b>3,679,734.90</b>	<b>4,622,905.98</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			

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Accrual Basis

**The Monks of New Skete**  
**Balance Sheet**  
 As of December 31, 2017

	Dec 31, 15	Dec 31, 16	Dec 31, 17
<b>Accounts Payable</b>			
2000000 • Accounts Payable	25,555.34	168,310.93	95,602.83
<b>Total Accounts Payable</b>	25,555.34	168,310.93	95,602.83
<b>Other Current Liabilities</b>			
2200000 • Sales Tax Payable	157.24	0.00	3,784.37
2200001 • Sales Tax OM	22,121.78	0.00	0.00
2400000 • Cap Investment/loan to NSMLLC	-250.00	-20,375.53	-20,375.53
2500000 • Intercompany to NS Monasteries	-27,090.00	-27,312.58	-915.34
<b>Total Other Current Liabilities</b>	-5,060.98	-47,688.11	-17,526.50
<b>Total Current Liabilities</b>	20,494.36	120,622.82	78,076.13
<b>Total Liabilities</b>	20,494.36	120,622.82	78,076.13
<b>Equity</b>			
3000000 • Opening Bal Equity	5,813.89	5,813.89	5,813.89
3700200 • Unrealized security gain (loss)	-242,273.74	-228,485.75	-234,828.12
3900000 • Retained Earnings	3,363,394.89	3,506,341.39	3,781,783.84
Net Income	144,946.50	273,442.55	991,880.14
<b>Total Equity</b>	3,271,881.54	3,559,112.08	4,544,829.85
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,292,375.90</b>	<b>3,679,734.90</b>	<b>4,622,906.98</b>

## **5. NUNS OF NEW SKETE FINANCIAL STATEMENTS**

- A. Internal Financial Statements for the year ended December 31, 2015
- B. Internal Financial Statements for the year ended December 31, 2016
- C. Internal Financial Statements for the year ended December 31, 2017



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02/26/18

Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
As of December 31, 2015

	Dec 31, 15
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
10100 · Cash Accounts	
10110 · Key Bank Checking Acct 27041351	27,422.91
10170 · Cash on Hand	3,877.75
<b>Total 10100 · Cash Accounts</b>	31,300.66
<b>Total Checking/Savings</b>	31,300.66
<b>Accounts Receivable</b>	
10200 · Accounts Receivable	-10.00
<b>Total Accounts Receivable</b>	-10.00
<b>Other Current Assets</b>	
11000 · Interfunds	
11100 · Due To/From Kitchens	974.69
<b>Total 11000 · Interfunds</b>	974.69
<b>Total Other Current Assets</b>	974.69
<b>Total Current Assets</b>	32,265.35
<b>Fixed Assets</b>	
<b>15000 · Fixed Assets</b>	
<b>15100 · Vehicles</b>	
15010 · Vehicle-Nissan	15,691.98
15101 · Accum Deprec - Vehicles	-30,000.00
15100 · Vehicles - Other	60,000.00
<b>Total 15100 · Vehicles</b>	45,691.98
<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>15500 · Major Equipment</b>	
15502 · Gas boiler & water heater	13,350.00
15503 · Generator-2014	2,059.69
15504 · Tractor - Yard - 2014	1,719.98
<b>Total 15500 · Major Equipment</b>	17,129.67
<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>	4,036.00
<b>Total 15800 · Business Assets</b>	4,036.00

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02/26/18  
Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
As of December 31, 2015

	Dec 31, 15
15000 · Fixed Assets - Other	29,482.02
Total 15000 · Fixed Assets	120,082.76
16000 · Land	500,000.00
Total Fixed Assets	620,082.76
Other Assets	
12000 · Other Assets	
12100 · Investments	
12120 · Merrill Lynch	109,043.57
12150 · LCBA	75,378.12
12160 · Key Holding Investments	
12162 · Key Investment Account	97,061.17
12160 · Key Holding Investments - Other	-6,508.49
Total 12160 · Key Holding Investments	90,552.68
Total 12100 · Investments	274,974.37
12500 · Loans to Kitchens	
12520 · Facility	10,935.28
12530 · General	57,262.58
Total 12500 · Loans to Kitchens	68,197.86
12800 · Other Loans	500.00
Total 12000 · Other Assets	343,672.23
Total Other Assets	343,672.23
<b>TOTAL ASSETS</b>	<b>996,020.34</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20200 · Accounts Payable	19,092.24
Total Accounts Payable	19,092.24
Other Current Liabilities	
20300 · Sales Tax Payable	142.35
Total Other Current Liabilities	142.35
Total Current Liabilities	19,234.59
Total Liabilities	19,234.59
Equity	
31000 · General Fund Balance	564,080.73
32001 · Unrestricted Net Assets	-48,093.21
39000 · Fund Balance - Capital Assets	530,000.00
Net Income	-69,201.77
Total Equity	976,785.75
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>996,020.34</b>

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Accrual Basis

# Nuns of New Skete - Operations

## Profit & Loss

January through December 2015

	Jan - Dec 15
Ordinary Income/Expense	
Income	
40000 · REVENUE	
41000 · Donations	
41100 · General Donations	46,048.79
41300 · Restricted Donations	4,000.00
41600 · Guests	3,912.16
Total 41000 · Donations	53,960.95
43000 · Community Income	
43100 · Social Security	12,599.00
43200 · SSI	19,684.42
43300 · Ssp	1,196.00
Total 43000 · Community Income	33,479.42
44000 · Activity Revenue	
44200 · Retreats	2,860.00
44300 · Spiritual Direction	3,503.00
44400 · Special Events	300.00
46250 · Icons	1,000.00
Total 44000 · Activity Revenue	7,663.00
46000 · Business Revenue	
46200 · Liturgy & Arts	
46210 · Gift Shop Sales	3,530.00
Total 46200 · Liturgy & Arts	3,530.00
46300 · Gift Shop - NSK Products	91,504.15
Total 46000 · Business Revenue	95,034.15
40000 · REVENUE - Other	100.00
Total 40000 · REVENUE	190,237.52
43900 · Investment Income	
43910 · Interest income	2,774.78
43920 · Dividend reinvested	4,768.34
43930 · Capital Gain/<Loss>	-30,869.79
43940 · Dividend income	1,433.33
43950 · Securities Transferred	2,993.80
43955 · Net Cash Flow	0.62
Total 43900 · Investment Income	-18,898.92
48000 · Miscellaneous Revenue	425.00
Total Income	171,763.60
Cost of Goods Sold	
50000 · Cost of Goods Sold	
50100 · Cost of Goods-NSK	84,974.12
Total 50000 · Cost of Goods Sold	84,974.12
Total COGS	84,974.12
Gross Profit	86,789.48
Expense	
60000 · EXPENSES	
61000 · General Expenses	
61110 · Utilities,	
61112 · Oil	5,651.96
61113 · Propane Gas	6,486.44
61114 · Electricity	3,643.04

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02/26/18

Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2015

	Jan - Dec 15
61115 · generator-propane gas	157.88
Total 61110 · Utilities,	15,939.32
61120 · Phone & Internet	4,008.15
61130 · Correspondence & Postage	1,113.65
61200 · Food	15,773.18
61250 · Dining	2,486.34
61300 · Clothing	1,442.02
61400 · Household Items	3,445.85
61500 · Hygiene	2,454.38
61600 · Entertainment	2,432.76
61700 · Books & Magazines	959.32
61800 · Travel	2,149.25
61900 · Gifts/Donations	7,739.86
61950 · Gifts - NSK Products	1,266.70
Total 61000 · General Expenses	61,210.78
62000 · Gift Shop Expenses	
62100 · Allocated Labor - NSM-Gift Shop	2,974.00
Total 62000 · Gift Shop Expenses	2,974.00
63000 · Purchased Services	
63100 · Education	542.11
63200 · Retreats, Conferences & Seminars	1,306.00
63300 · Medical	3,990.96
63310 · Medical-RX	115.82
63320 · Medical-OC	2,100.61
63350 · Medical Insurance	
63354 · Johanna-Medical	-3,408.57
63350 · Medical Insurance - Other	766.80
Total 63350 · Medical Insurance	-2,641.77
63400 · Legal	343.94
Total 63000 · Purchased Services	5,757.67
64000 · Vehicle Expenses	
64100 · Gasoline	2,055.29
64200 · Vehicle Maint/Srvc/Reg	4,636.93
64300 · Insurance - cars	4,040.00
Total 64000 · Vehicle Expenses	10,732.22
65000 · House Maintenance	
65010 · Allocated Labor-NSM -Cleaning	3,751.24
65200 · Cleaning Supplies	32.92
65400 · Maintenance Supplies	4,739.22
65500 · Repairs & Maintenance Service	13,655.01
65600 · Water Treatment Supplies & Mnt	360.97
Total 65000 · House Maintenance	22,539.36
66000 · Pets	
66100 · Bird Supplies	439.71
66200 · Dog Supplies	485.66
Total 66000 · Pets	925.37
67000 · Grounds Maintenance	
67010 · Allocated Labor - NSM -Maint.	509.46
67200 · Yard Maintenance	4,050.57
67300 · Gardens Expense	729.00
67400 · Swimming Pool Maintenance	1,275.06
67600 · Road Maintenance	5,693.40

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Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2015

	Jan - Dec 15
Total 67000 · Grounds Maintenance	12,257.49
70000 · Activity Expenses	
71000 · Promotion & Marketing	
71100 · General Marketing/Promotion	3,492.50
Total 71000 · Promotion & Marketing	3,492.50
78000 · Ecclesiastical/Confraternity Exp	
78200 · Ceremonial Items	
78225 Music	70.83
78250 · Candles-Holy Wisdom	1,421.00
78950 · Funeral	6,786.73
Total 78200 · Ceremonial Items	8,278.56
Total 78000 · Ecclesiastical/Confraternity Exp	8,278.56
Total 70000 · Activity Expenses	11,771.06
90000 · Admin & Government	
91000 · Administrative Expenses	
91100 · Allocated Labor Expense	
91120 · Admin Labor - Accnting / IT	3,778.76
91171 · Admin Labor - Monasteries	223.64
91180 · Admin.Labor-Sale & Marketing	447.26
Total 91100 · Allocated Labor Expense	4,449.66
Total 91000 · Administrative Expenses	4,449.66
91500 · Insurance	
91510 · Insurance - House Liability	11,445.58
91520 · Insurance - Kitchens Liability	0.00
91530 · Insurance - Buildings	6,535.65
Total 91500 · Insurance	17,981.23
92000 · Office Supplies	243.28
92500 · Copier Lease	179.02
94000 · Computers & Support	2,211.74
98000 · Taxes, Licenses, Fees	
98400 · Bank Fees	40.50
98500 · Credit Card Interest & Fees	839.26
98600 · Investment fees	1,500.00
Total 98000 · Taxes, Licenses, Fees	2,379.76
99000 · Miscellaneous Expenses	378.61
Total 90000 · Admin & Government	27,823.30
Total 60000 · EXPENSES	155,991.25
Total Expense	155,991.25
Net Ordinary Income	-69,201.77
Net Income	-69,201.77

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## Nuns of New Skete - Operations

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## Balance Sheet

Accrual Basis

As of December 31, 2016

	Dec 31, 16
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
10100 · Cash Accounts	
10110 · Key Bank Checking Acct 27041351	30,907.54
10170 · Cash on Hand	1,483.24
10175 · L&A Cash on Hand	1,580.36
10176 · Glens Falls National Bank	2,049.89
<b>Total 10100 · Cash Accounts</b>	<b>36,021.03</b>
<b>Total Checking/Savings</b>	<b>36,021.03</b>
<b>Accounts Receivable</b>	
10200 · Accounts Receivable	511.09
<b>Total Accounts Receivable</b>	<b>511.09</b>
<b>Other Current Assets</b>	
11000 · Interfunds	
11100 · Due To/From Kitchens	445.08
<b>Total 11000 · Interfunds</b>	<b>445.08</b>
<b>Total Other Current Assets</b>	<b>445.08</b>
<b>Total Current Assets</b>	<b>36,977.20</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
15503 · Generator-2014	2,059.69
15504 · Tractor - Yard - 2014	1,719.98
<b>Total 15500 · Major Equipment</b>	<b>17,129.67</b>
15800 · Business Assets	
15810 · Kitchen Facilities	
15811 · Accum Deprec - Kitch Fac	-500,000.00
15810 · Kitchen Facilities - Other	504,036.00

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Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
As of December 31, 2016

	Dec 31, 16
Total 15810 · Kitchen Facilities	4,036.00
Total 15800 · Business Assets	4,036.00
15000 · Fixed Assets - Other	29,482.02
Total 15000 · Fixed Assets	120,082.76
16000 · Land	500,000.00
Total Fixed Assets	620,082.76
Other Assets	
12000 · Other Assets	
12100 · Investments	
12120 · Merrill Lynch	126,922.35
12150 · LCBA	78,777.15
12160 · Key Holding Investments	
12162 · Key Investment Account	97,061.17
12160 · Key Holding Investments - Other	-3,997.07
Total 12160 · Key Holding Investments	93,064.10
Total 12100 · Investments	298,763.60
12500 · Loans to Kitchens	
12520 · Facility	935.28
12530 · General	16,495.43
Total 12500 · Loans to Kitchens	17,430.71
Total 12000 · Other Assets	316,194.31
Total Other Assets	316,194.31
<b>TOTAL ASSETS</b>	<b>973,254.27</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20200 · Accounts Payable	1,389.30
Total Accounts Payable	1,389.30
Other Current Liabilities	
20300 · Sales Tax Payable	280.31
Total Other Current Liabilities	280.31
Total Current Liabilities	1,669.61
Total Liabilities	1,669.61
Equity	
31000 · General Fund Balance	567,267.51
32001 · Unrestricted Net Assets	-117,294.98
39000 · Fund Balance - Capital Assets	530,000.00
Net Income	-8,387.87
Total Equity	971,584.66
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>973,254.27</b>

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Accrual Basis

# Nuns of New Skete - Operations

## Profit & Loss

January through December 2016

	Jan - Dec 16
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
40000 · REVENUE	
41000 · Donations	
41100 · General Donations	55,605.05
41600 · Guests	1,555.00
<b>Total 41000 · Donations</b>	<b>57,160.05</b>
43000 · Community Income	
43100 · Social Security	10,197.00
43200 · SSI	17,119.74
43300 · Ssp	1,012.00
43800 · Other Community Income	2,263.44
<b>Total 43000 · Community Income</b>	<b>30,592.18</b>
44000 · Activity Revenue	
44200 · Retreats	4,676.50
44300 · Spiritual Direction	3,815.00
46250 · Icons	5,778.00
<b>Total 44000 · Activity Revenue</b>	<b>14,269.50</b>
46000 · Business Revenue	
46200 · Liturgy & Arts	
46210 · Gift Shop Sales	
46212 · Food Sales	1,238.42
46213 · Kitchens Products Sales	51,467.47
46214 · Book & Media Sales	664.84
46215 · Art & Card Sales	600.09
46216 · Dog Product Sales	147.45
46217 · Ware Sales	556.76
46230 · NSOM L & A Online Sales	866.89
46210 · Gift Shop Sales - Other	4,377.00
<b>Total 46210 · Gift Shop Sales</b>	<b>59,918.92</b>
<b>Total 46200 · Liturgy &amp; Arts</b>	<b>59,918.92</b>
46300 · Gift Shop - NSK Products	40,812.78
<b>Total 46000 · Business Revenue</b>	<b>100,731.70</b>
<b>Total 40000 · REVENUE</b>	<b>202,753.43</b>
43900 · Investment Income	
43910 · Interest income	3,401.89
43920 · Dividend reinvested	4,738.20
43930 · Capital Gain/<Loss>	27,350.46
43940 · Dividend income	880.98
<b>Total 43900 · Investment Income</b>	<b>36,371.53</b>
48000 · Miscellaneous Revenue	92.02
<b>Total Income</b>	<b>239,216.98</b>
<b>Cost of Goods Sold</b>	
50000 · Cost of Goods Sold	
50100 · Cost of Goods-NSK	40,736.78
50300 · Cost of Goods - L/A	
50312 · Food Costs	1,057.80
50313 · Kitchen Products Costs	46,489.53
50314 · Book & Media Costs	466.19
50315 · Art & Card Costs	12.20
50316 · Dog Product Costs	435.78
50317 · Ware Costs	256.50



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Accrual Basis

# Nuns of New Skete - Operations

## Profit & Loss

### January through December 2016

	Jan - Dec 16
Total 50300 · Cost of Goods - L/A	48,718.00
Total 50000 · Cost of Goods Sold	89,454.78
Total COGS	89,454.78
Gross Profit	149,762.20
Expense	
60000 · EXPENSES	
61000 · General Expenses	
61110 · Utilities,	
61112 · Oil	5,091.70
61113 · Propane Gas	5,907.24
61114 · Electricity	3,051.53
Total 61110 · Utilities,	14,050.47
61120 · Phone & Internet	4,142.86
61130 · Correspondence & Postage	490.00
61200 · Food	12,401.66
61250 · Dining	1,878.21
61300 · Clothing	2,122.88
61400 · Household Items	4,244.00
61500 · Hygiene	1,318.88
61600 · Entertainment	3,831.56
61700 · Books & Magazines	1,547.89
61800 · Travel	
61850 · Travel use of restricted donati	147.00
61800 · Travel - Other	1,042.16
Total 61800 · Travel	1,189.16
61900 · Gifts/Donations	6,452.25
Total 61000 · General Expenses	53,669.82
62000 · Gift Shop Expenses	
62100 · Allocated Labor - NSM-Gift Shop	3,078.00
Total 62000 · Gift Shop Expenses	3,078.00
63000 · Purchased Services	
63200 · Retreats, Conferences & Seminars	6,700.00
63300 · Medical	2,084.81
63310 · Medical-RX	161.38
63320 · Medical-OC	1,381.96
63350 · Medical Insurance	
63354 · Johanna-Medical	1,220.16
63350 · Medical Insurance - Other	1,618.08
Total 63350 · Medical Insurance	2,838.24
63400 · Legal	98.17
Total 63000 · Purchased Services	13,264.56
64000 · Vehicle Expenses	
64100 · Gasoline	1,576.95
64200 · Vehicle Maint/Srvic/Reg	950.31
Total 64000 · Vehicle Expenses	2,527.26
65000 · House Maintenance	
65010 · Allocated Labor-NSM -Cleaning	11,215.95
65200 · Cleaning Supplies	914.91
65300 · Cleaning Equipment	103.56
65400 · Maintenance Supplies	6,070.69
65500 · Repairs & Maintenance Service	25,357.65
65600 · Water Treatment Supplies & Mnt	452.91

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Accrual Basis

# Nuns of New Skete - Operations

## Profit & Loss

### January through December 2016

	Jan - Dec 16
Total 65000 • House Maintenance	44,115.67
66000 • Pets	
66100 • Bird Supplies	363.65
66200 • Dog Supplies	233.29
Total 66000 • Pets	596.94
67000 • Grounds Maintenance	
67010 • Allocated Labor - NSM -Maint.	96.92
67200 • Yard Maintenance	4,451.48
67300 • Gardens Expense	785.08
67400 • Swimming Pool Maintenance	1,022.99
67600 • Road Maintenance	2,500.00
Total 67000 • Grounds Maintenance	8,856.47
70000 • Activity Expenses	
71000 • Promotion & Marketing	
71100 • General Marketing/Promotion	30.00
Total 71000 • Promotion & Marketing	30.00
73000 • Retreat Expenses	695.23
74000 • Spiritual Direction Expenses	75.00
78000 • Ecclesiastical/Confraternity Exp	
78200 • Ceremonial Items	
78225 Music	18.77
78250 • Candles-Holy Wisdom	1,734.00
78950 • Funeral	4,868.00
Total 78200 • Ceremonial Items	6,620.77
Total 78000 • Ecclesiastical/Confraternity Exp	6,620.77
Total 70000 • Activity Expenses	7,421.00
90000 • Admin & Government	
91000 • Administrative Expenses	
91100 • Allocated Labor Expense	
91120 • Admin Labor - Accnting / IT	9,514.70
91180 • Admin.Labor-Sale & Marketing	6,185.02
Total 91100 • Allocated Labor Expense	15,699.72
Total 91000 • Administrative Expenses	15,699.72
91500 • Insurance	
91510 • Insurance - House Liability	2,865.55
91550 • Insurance - Vehicle	20.00
Total 91500 • Insurance	2,885.55
92000 • Office Supplies	266.74
92500 • Copier Lease	
92510 • copies	406.24
Total 92500 • Copier Lease	406.24
94000 • Computers & Support	3,156.44
98000 • Taxes, Licenses, Fees	
98400 • Bank Fees	-312.00
98500 • Credit Card Interest & Fees	958.74
98600 • Investment fees	1,550.61
Total 98000 • Taxes, Licenses, Fees	2,197.35
99000 • Miscellaneous Expenses	8.31
Total 90000 • Admin & Government	24,620.35

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Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
January through December 2016

	Jan - Dec 16
Total 60000 - EXPENSES	158,150.07
Total Expense	158,150.07
Net Ordinary Income	-8,387.87
Other Income/Expense	
Other Expense	
Balancing Adjustments	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	-8,387.87

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Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
 As of December 31, 2017

	Dec 31, 17
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
10100 · Cash Accounts	
10110 · Key Bank Checking Acct 27041351	30,375.23
10170 · Cash on Hand	2,723.16
10175 · L&A Cash on Hand	1,399.69
10176 · Glens Falls National Bank	1,446.49
<b>Total 10100 · Cash Accounts</b>	<b>35,944.57</b>
<b>Total Checking/Savings</b>	<b>35,944.57</b>
<b>Accounts Receivable</b>	
10200 · Accounts Receivable	122.88
<b>Total Accounts Receivable</b>	<b>122.88</b>
<b>Other Current Assets</b>	
11000 · Interfunds	
11100 · Due To/From Kitchens	786.03
<b>Total 11000 · Interfunds</b>	<b>786.03</b>
<b>Total Other Current Assets</b>	<b>786.03</b>
<b>Total Current Assets</b>	<b>36,853.48</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
15503 · Generator-2014	2,059.69
15504 · Tractor - Yard - 2014	1,719.98
<b>Total 15500 · Major Equipment</b>	<b>17,129.67</b>
15800 · Business Assets	
15810 · Kitchen Facilities	
15811 · Accum Deprec - Kitch Fac	-500,000.00
15810 · Kitchen Facilities - Other	504,036.00

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Accrual Basis

**Nuns of New Skete - Operations**  
**Balance Sheet**  
**As of December 31, 2017**

	Dec 31, 17
Total 15810 · Kitchen Facilities	4,036.00
Total 15800 · Business Assets	4,036.00
15000 · Fixed Assets - Other	29,482.02
Total 15000 · Fixed Assets	120,082.76
16000 · Land	500,000.00
Total Fixed Assets	620,082.76
Other Assets	
12000 · Other Assets	
12100 · Investments	
12120 · Merrill Lynch	166,976.28
12150 · LCBA	82,014.95
12160 · Key Holding Investments	
12162 · Key Investment Account	97,061.17
12160 · Key Holding Investments - Other	4,746.14
Total 12160 · Key Holding Investments	101,807.31
Total 12100 · Investments	350,798.54
12500 · Loans to Kitchens	
12520 · Facility	935.28
12530 · General	16,495.43
Total 12500 · Loans to Kitchens	17,430.71
Total 12000 · Other Assets	368,229.25
Total Other Assets	368,229.25
<b>TOTAL ASSETS</b>	<b>1,025,165.49</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20200 · Accounts Payable	459.18
Total Accounts Payable	459.18
Other Current Liabilities	
20300 · Sales Tax Payable	363.51
Total Other Current Liabilities	363.51
Total Current Liabilities	822.69
Total Liabilities	822.69
Equity	
31000 · General Fund Balance	567,267.51
32001 · Unrestricted Net Assets	-125,682.85
39000 · Fund Balance - Capital Assets	530,000.00
Net Income	52,758.14
Total Equity	1,024,342.80
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,025,165.49</b>

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Accrual Basis

# Nuns of New Skete - Operations

## Profit & Loss

January through December 2017

	Jan - Dec 17
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
40000 • REVENUE	
41000 • Donations	
41100 • General Donations	88,568.99
41600 • Guests	1,134.25
<b>Total 41000 • Donations</b>	<b>89,703.24</b>
43000 • Community Income	
43100 • Social Security	12,804.00
43200 • SSI	18,992.00
43300 • Ssp	1,104.00
43800 • Other Community Income	4,000.30
<b>Total 43000 • Community Income</b>	<b>36,900.30</b>
44000 • Activity Revenue	
44200 • Retreats	4,051.50
44300 • Spiritual Direction	3,270.00
46250 • Icons	6,897.40
<b>Total 44000 • Activity Revenue</b>	<b>14,218.90</b>
46000 • Business Revenue	
46200 • Liturgy & Arts	
46210 • Gift Shop Sales	
46212 • Food Sales	3,065.04
46213 • Kitchens Products Sales	94,534.74
46214 • Book & Media Sales	2,002.30
46215 • Art & Card Sales	1,764.76
46216 • Dog Product Sales	1,431.10
46217 • Ware Sales	1,300.36
46220 • Non -Giftshop Sales	38.64
46230 • NSOM L & A Online Sales	515.67
<b>Total 46210 • Gift Shop Sales</b>	<b>104,652.61</b>
<b>Total 46200 • Liturgy &amp; Arts</b>	<b>104,652.61</b>
<b>Total 46000 • Business Revenue</b>	<b>104,652.61</b>
<b>Total 40000 • REVENUE</b>	<b>245,475.05</b>
43900 • Investment Income	
43910 • Interest Income	3,261.73
43920 • Dividend reinvested	5,308.07
43930 • Capital Gain/<Loss>	37,661.56
<b>Total 43900 • Investment Income</b>	<b>46,231.36</b>
48000 • Miscellaneous Revenue	156.33
<b>Total Income</b>	<b>291,862.74</b>
<b>Cost of Goods Sold</b>	
50000 • Cost of Goods Sold	
50300 • Cost of Goods - L/A	
50312 • Food Costs	910.20
50313 • Kitchen Products Costs	57,199.41
50314 • Book & Media Costs	914.96
50315 • Art & Card Costs	453.00
50316 • Dog Product Costs	1,060.00
50317 • Ware Costs	555.60
<b>Total 50300 • Cost of Goods - L/A</b>	<b>61,093.17</b>
<b>Total 50000 • Cost of Goods Sold</b>	<b>61,093.17</b>
<b>Total COGS</b>	<b>61,093.17</b>

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Accrual Basis

# Nuns of New Skete - Operations

## Profit & Loss

January through December 2017

	Jan - Dec 17
<b>Gross Profit</b>	230,769.57
<b>Expense</b>	
51100 · Freight and Shipping Costs	21.58
60000 · EXPENSES	
61000 · General Expenses	
61110 · Utilities,	
61112 · Oil	2,472.01
61113 · Propane Gas	2,451.88
61114 · Electricity	3,218.62
<b>Total 61110 · Utilities,</b>	<b>8,142.51</b>
61120 · Phone & Internet	4,755.43
61130 · Correspondence & Postage	1,217.42
61200 · Food	13,369.48
61250 · Dining	2,451.96
61300 · Clothing	1,838.48
61400 · Household Items	4,616.66
61500 · Hygiene	1,541.19
61600 · Entertainment	2,862.98
61700 · Books & Magazines	1,242.25
61750 · Icon Expense	61.22
61775 · Guest room expenses	104.03
61800 · Travel	671.04
61900 · Gifts/Donations	5,859.53
<b>Total 61000 · General Expenses</b>	<b>48,734.18</b>
62000 · Gift Shop Expenses	
62100 · Allocated Labor - NSM-Gift Shop	2,850.00
<b>Total 62000 · Gift Shop Expenses</b>	<b>2,850.00</b>
63000 · Purchased Services	
63100 · Education	288.55
63200 · Retreats, Conferences & Seminars	6,777.00
63300 · Medical	2,929.34
63310 · Medical-RX	240.13
63320 · Medical-OC	2,134.38
63350 · Medical Insurance	1,887.76
<b>Total 63000 · Purchased Services</b>	<b>14,257.16</b>
64000 · Vehicle Expenses	
64100 · Gasoline	1,664.39
64200 · Vehicle Maint/Srv/Reg	4,558.19
<b>Total 64000 · Vehicle Expenses</b>	<b>6,222.58</b>
65000 · House Maintenance	
65010 · Allocated Labor-NSM -Cleaning	10,037.71
65200 · Cleaning Supplies	833.67
65400 · Maintenance Supplies	10,073.52
65500 · Repairs & Maintenance Service	30,274.40
65600 · Water Treatment Supplies & Mnt	418.44
<b>Total 65000 · House Maintenance</b>	<b>51,637.74</b>
66000 · Pets	
66100 · Bird Supplies	397.31
66200 · Dog Supplies	357.09
<b>Total 66000 · Pets</b>	<b>754.40</b>
67000 · Grounds Maintenance	
67200 · Yard Maintenance	4,821.33
67300 · Gardens Expense	1,044.77
67400 · Swimming Pool Maintenance	778.73

11:41 AM

02/26/18

Accrual Basis

**Nuns of New Skete - Operations**  
**Profit & Loss**  
 January through December 2017

	Jan - Dec 17
67600 · Road Maintenance	4,631.80
Total 67000 · Grounds Maintenance	11,276.63
70000 · Activity Expenses	
74000 · Spiritual Direction Expenses	75.00
78000 · Ecclesiastical/Confraternity Exp	
78200 · Ceremonial Items	
78225 Music	143.78
78250 · Candles-Holy Wisdom	154.12
Total 78200 · Ceremonial Items	297.90
78400 · Choir & Music	39.13
Total 78000 · Ecclesiastical/Confraternity Exp	337.03
Total 70000 · Activity Expenses	412.03
90000 · Admin & Government	
91000 · Administrative Expenses	
91100 · Allocated Labor Expense	
91120 · Admin Labor - Accting / IT	11,596.61
91170 · Allocated Labor - NSM -Advcmnt	9,581.40
91180 · Admin.Labor-Sale & Marketing	5,468.81
Total 91100 · Allocated Labor Expense	26,646.82
Total 91000 · Administrative Expenses	26,646.82
91500 · Insurance	
91510 · Insurance - House Liability	6,497.45
91550 · Insurance - Vehicle	4,435.00
Total 91500 · Insurance	10,932.45
92000 · Office Supplies	341.90
92500 · Copier Lease	
92510 · copies	420.05
Total 92500 · Copier Lease	420.05
94000 · Computers & Support	65.17
98000 · Taxes, Licenses, Fees	
98400 · Bank Fees	15.00
98500 · Credit Card Interest & Fees	1,011.65
98600 · Investment fees	1,803.59
Total 98000 · Taxes, Licenses, Fees	2,830.24
99000 · Miscellaneous Expenses	608.50
Total 90000 · Admin & Government	41,845.13
Total 60000 · EXPENSES	177,989.85
Total Expense	178,011.43
Net Ordinary Income	52,758.14
Other Income/Expense	
Other Expense	
Balancing Adjustments	0.00
Total Other Expense	0.00
Net Other Income	0.00
Net Income	52,758.14



## **6. ST. CATHERINE'S REPRESENTATION CHURCH, MOSCOW RUSSIA FINANCIAL STATEMENTS**

- A. Profit and Loss Statement for the year ended December 31, 2016
- B. Profit and Loss Statement for the year ended December 31, 2017
- C. Profit and Loss Statement for the quarter ended March 31, 2018

**St Catherine's Representation Church**  
**Income Statement**  
**For the year 2016**

	<b>Attach #3A</b>	<b>Q1-2016</b>	<b>Q2-2016</b>	<b>Q3-2016</b>	<b>Q4-2016</b>	<b>2016 Totals</b>	<b>(\$1 = 57 Rubles)</b>
	<b>Line Number</b>						<b>\$ US</b>
<b>Revenues:</b>							
Donations		-	-	-	-	\$	-
Loan from Borodai AA		-	-	500,000	-	\$	8,771.93
Donation Boxes		1,248,000	1,987,000	2,067,000	2,047,000	\$	128,929.82
Extreme Unction		-	-	-	-	\$	-
Income from Church Candle Shop		468,150	730,510	688,640	1,020,010	\$	51,005.44
<b>Total Revenues</b>		<b>1,716,150</b>	<b>2,717,510</b>	<b>3,255,640</b>	<b>3,067,010</b>		<b>\$ 188,707.19</b>
<b>Expenses:</b>							
Salaries for Clergy and Staff	1	676,000	1,011,240	1,035,800	1,141,200	\$	67,793.68
Salaries for Choir	1	10,000	242,000	18,500	31,500	\$	5,298.25
Advances to staff	1	25,000	19,000	23,000	68,400	\$	2,375.44
<b>1 Total</b>		<b>711,000</b>	<b>1,272,240</b>	<b>1,077,300</b>	<b>1,241,100</b>		<b>\$ 75,467</b>
Contribution to the Bank	3	-	-	-	372,000	\$	6,526.32
Taxes/Pension	3	868,671	-	782,298	-	\$	28,964.37
<b>3 Total</b>		<b>868,671</b>	<b>-</b>	<b>782,298</b>	<b>372,000</b>		<b>\$ 35,490.68</b>
Electricity/Utilities	4	220,000	544,000	324,500	-	\$	19,096.49
Communal Payments	4	62,600	126,501	161,500	36,000	\$	6,782.47
<b>4 Total</b>		<b>282,600</b>	<b>670,501</b>	<b>486,000</b>	<b>36,000</b>		<b>\$ 25,878.96</b>
Communications	5	41,950	4,500	4,400	25,000	\$	1,330.70
Computer Services/Supplies	5	-	19,370	110,530	50,700	\$	3,168.42
<b>5 Total</b>		<b>41,950</b>	<b>23,870</b>	<b>114,930</b>	<b>75,700</b>		<b>\$ 4,499.12</b>
Office Supplies/Postage	7	15,498	7,690	28,800	28,023	\$	1,403.70
<b>7 Total</b>		<b>15,498</b>	<b>7,690</b>	<b>28,800</b>	<b>28,023</b>		<b>\$ 1,403.70</b>
Legal and Consulting Fees	8	-	1,800	131,900	6,000	\$	2,450.88
<b>8 Total</b>		<b>-</b>	<b>1,800</b>	<b>131,900</b>	<b>6,000</b>		<b>\$ 2,450.88</b>
Liturgical Supplies	9	12,945	60,729	23,345	54,119	\$	2,651.54
<b>9 Total</b>		<b>12,945</b>	<b>60,729</b>	<b>23,345</b>	<b>54,119</b>		<b>\$ 2,651.54</b>
Apartment Repairs/Maint	11	9,000	-	-	-	\$	157.89
Premises Maintenance	11	-	20,500	16,600	-	\$	650.88
<b>11 Total</b>		<b>9,000</b>	<b>20,500</b>	<b>16,600</b>	<b>-</b>		<b>\$ 808.77</b>
Repairs to Church Premises	12	174,678	-	46,780	-	\$	3,885.23
Renovation Expenses	12	365,728	8,600	174,700	106,974	\$	11,508.81
<b>12 Total</b>		<b>540,406</b>	<b>8,600</b>	<b>221,480</b>	<b>106,974</b>		<b>\$ 15,394.04</b>
Household Supplies	13	6,321	22,880	21,781	156,408	\$	3,638.42
<b>13 Total</b>		<b>6,321</b>	<b>22,880</b>	<b>21,781</b>	<b>156,408</b>		<b>\$ 3,638.42</b>
Liturgical Items	14	35,720	93,120	86,350	27,780	\$	4,262.63
<b>14 Total</b>		<b>35,720</b>	<b>93,120</b>	<b>86,350</b>	<b>27,780</b>		<b>\$ 4,262.63</b>
Goods for Book Shop/Candle Stand	15	-	40,340	32,000	7,150	\$	1,394.56
<b>15 Total</b>		<b>-</b>	<b>40,340</b>	<b>32,000</b>	<b>7,150</b>		<b>\$ 1,394.56</b>
Photographers	17	-	39,000	-	15,000	\$	947.37
Auto Expenses/Transportation	17	1,400	-	-	18,000	\$	340.35
Food for Staff Meals/Banquet	17	2,562	44,260	9,100	355,170	\$	7,212.14
Church Flowers	17	-	25,000	-	1,850	\$	471.05
Buying Barrier/door.canopy	17	18,620	-	74,751	-	\$	1,638.09
<b>17 Total</b>		<b>22,582</b>	<b>108,260</b>	<b>83,851</b>	<b>390,020</b>		<b>\$ 10,609.00</b>
Debt Payment	a	-	-	590,000	500,000	\$	19,122.81
<b>a Total</b>		<b>-</b>	<b>-</b>	<b>590,000</b>	<b>500,000</b>		<b>\$ 19,122.81</b>
Contribution to Patriarchate	b	-	-	-	60,000	\$	1,052.63
<b>b Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</b>		<b>\$ 1,052.63</b>
<b>Grand Total</b>		<b>2,546,693</b>	<b>2,330,530</b>	<b>3,696,635</b>	<b>3,061,274</b>		<b>204,125</b>
<b>Net Surplus (Deficit)</b>		<b>(830,543)</b>	<b>386,980</b>	<b>(440,995)</b>	<b>5,736</b>		<b>(15,418)</b>
416423		54,205	441,185	190	5,926		

**St Catherine's Representation Church  
Income Statement  
For the year 2017**

	<b>Attach #3A</b>							
	<b>Line Number</b>	<b>Q1-2017</b>	<b>Q2-2017</b>	<b>Q3-2017</b>	<b>Q4-2017</b>	<b>Totals</b>		<b>(\$1 = 60 Rubles) \$ US</b>
<b>Revenues:</b>								
Donations - from OCA		-	35,930	219,835	-	255,765	\$	4,262.75
Loan/Donation from Borodai AA		-	300,000	-	-	300,000	\$	5,000.00
Donation Boxes		2,002,000	2,050,000	1,502,000	1,423,619	6,977,619	\$	116,293.65
Income from Church Candle Shop		1,695,200	641,575	787,126	1,226,938	4,350,839	\$	72,513.98
<b>Total Revenues</b>		<b>3,697,200</b>	<b>3,027,505</b>	<b>2,508,961</b>	<b>2,650,557</b>	<b>11,884,223</b>	\$	<b>198,070.38</b>
<b>Expenses:</b>								
Salaries for Clergy and Staff	1	1,512,514	1,516,100	955,600	1,145,044	5,129,258	\$	85,487.63
Salaries for Choir	1	26,500	14,000	178,500	221,000	440,000	\$	7,333.33
Disability Payment to prior Accountant	1	-	-	-	26,074	26,074	\$	434.57
<b>1 Total</b>		<b>1,539,014</b>	<b>1,530,100</b>	<b>1,134,100</b>	<b>1,392,118</b>	<b>5,595,332</b>		<b>93,256</b>
<b>Contribution to the Bank</b>	<b>3</b>	<b>321,000</b>	<b>247,000</b>	<b>50,000</b>	<b>-</b>	<b>618,000</b>	\$	<b>10,300.00</b>
Taxes/Pension	3	-	-	-	-	-	\$	-
<b>3 Total</b>		<b>321,000</b>	<b>247,000</b>	<b>50,000</b>	<b>-</b>	<b>618,000</b>	\$	<b>10,300.00</b>
Electricity/Utilities/Meter & cable	4	786,924	211,543	65,750	391,872	1,456,089	\$	24,268.15
Communal Payments	4	43,700	-	30,300	-	74,000	\$	1,233.33
Debt Payment-Yakimanka Apt Exp	4	-	307,000	600,000	-	907,000	\$	15,116.67
<b>4 Total</b>		<b>830,624</b>	<b>518,543</b>	<b>696,050</b>	<b>391,872</b>	<b>2,437,089</b>	\$	<b>40,618.15</b>
Communications/Tech Connection	5	132,300	46,525	72,389	76,482	327,696	\$	5,461.60
Computer Services/Supplies	5	-	-	12,625	-	12,625	\$	210.42
<b>5 Total</b>		<b>132,300</b>	<b>46,525</b>	<b>85,014</b>	<b>76,482</b>	<b>340,321</b>	\$	<b>5,672.02</b>
Office Supplies/Postage	7	26,802	-	4,129	12,261	43,192	\$	719.87
<b>7 Total</b>		<b>26,802</b>	<b>-</b>	<b>4,129</b>	<b>12,261</b>	<b>43,192</b>	\$	<b>719.87</b>
Legal and Consulting Fees	8	-	-	2,000	-	2,000	\$	33.33
<b>8 Total</b>		<b>-</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>	\$	<b>33.33</b>
Liturgical Supplies	9	174,596	55,590	19,696	71,084	320,966	\$	5,349.43
<b>9 Total</b>		<b>174,596</b>	<b>55,590</b>	<b>19,696</b>	<b>71,084</b>	<b>320,966</b>	\$	<b>5,349.43</b>
Garbage Collection	11	23,400	-	-	16,566	39,966	\$	666.10
Repairs to Church Premises	11	4,000	-	7,865	-	11,865	\$	197.75
Apartment Repairs/Maint/Rent?	11	24,500	50,000	18,009	30,038	122,547	\$	2,042.45
Premises Maintenance/Tools	11	69,814	-	10,000	15,580	95,394	\$	1,589.90
<b>11 Total</b>		<b>121,714</b>	<b>50,000</b>	<b>35,874</b>	<b>62,184</b>	<b>269,772</b>	\$	<b>4,496.20</b>
Renovation Expenses	12	71,716	112,000	-	-	183,716	\$	3,061.93
<b>12 Total</b>		<b>71,716</b>	<b>112,000</b>	<b>-</b>	<b>-</b>	<b>183,716</b>	\$	<b>3,061.93</b>
Household Supplies	13	121,276	385,500	1,324	28,214	536,314	\$	8,938.57
<b>13 Total</b>		<b>121,276</b>	<b>385,500</b>	<b>1,324</b>	<b>28,214</b>	<b>536,314</b>	\$	<b>8,938.57</b>
Goods for Book Shop/Candle Stand	15	159,854	25,350	2,499	114,822	302,525	\$	5,042.08
<b>15 Total</b>		<b>159,854</b>	<b>25,350</b>	<b>2,499</b>	<b>114,822</b>	<b>302,525</b>	\$	<b>5,042.08</b>
Photographers	17	-	10,000	-	16,540	26,540	\$	442.33
Auto Expenses/Transportation	17	-	-	157,598	-	157,598	\$	2,626.63
Food for Staff Meals/Banquet	17	53,457	12,165	9,476	126,346	201,444	\$	3,357.40
Church Flowers	17	2,500	-	7,050	21,053	30,603	\$	510.05
Representative Expenses	17	130,900	-	-	-	130,900	\$	2,181.67
<b>17 Total</b>		<b>186,857</b>	<b>22,165</b>	<b>174,124</b>	<b>163,939</b>	<b>547,085</b>	\$	<b>9,118.08</b>
Contribution to Patriarchate/Deanery Gift	b	3,000	-	-	66,000	69,000	\$	1,150.00
<b>b Total</b>		<b>3,000</b>	<b>-</b>	<b>-</b>	<b>66,000</b>	<b>69,000</b>	\$	<b>1,150.00</b>
Pass-through donations to charity	c	-	-	-	1,500	1,500	\$	25.00
<b>c Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>1,500</b>	\$	<b>25.00</b>
<b>Grand Total</b>		<b>3,688,753</b>	<b>2,992,773</b>	<b>2,204,810</b>	<b>2,380,476</b>	<b>11,266,812</b>		<b>187,780</b>
<b>Net Surplus (Deficit)</b>		<b>8,447</b>	<b>34,732</b>	<b>304,151</b>	<b>270,081</b>	<b>617,411</b>		<b>10,290</b>
Bank Balance		14,373	49,105	353,256	623,337	623,337		

**St Catherine's Representation Church  
Income Statement  
For the year 2018**

	Attach #3A	RUBLES				(\$1 = 58 Rubles)
	Line Number	January	Feb	March	Totals	\$ US
<b>Revenues:</b>						
Donations - from OCA (1) Below		-	33,000	-	33,000	\$ 568.97
Earmarked Donations		-	32,879	157,600	190,479	\$ 3,174.65
Donation Boxes		522,000	522,000	522,000	1,566,000	\$ 27,000.00
Income from Church Candle Shop		355,107	328,229	477,792	1,161,128	\$ 20,019.45
<b>Total Revenues</b>		<b>877,107</b>	<b>916,108</b>	<b>1,157,392</b>	<b>2,950,607</b>	<b>\$ 50,763.07</b>
<b>Expenses:</b>						
Salaries for Clergy and Staff (2)	1	440,000	790,000	384,500	1,614,500	\$ 27,836.21
Salaries for Choir	1	100,000	245,500	100,000	445,500	\$ 7,681.03
Disability Payment to prior Accountant	1	-	-	18,400	18,400	\$ 317.24
<b>1 Total</b>		<b>540,000</b>	<b>1,035,500</b>	<b>502,900</b>	<b>2,078,400</b>	<b>\$ 35,834.48</b>
<b>Contribution to the Bank</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
Taxes/Pension	3	-	-	40,176	40,176	\$ 692.69
<b>3 Total</b>		<b>-</b>	<b>-</b>	<b>40,176</b>	<b>40,176</b>	<b>\$ 692.69</b>
Electricity/Utilities/Meter & cable	4	44,462	189,325	211,287	445,074	\$ 7,673.69
Communal Payments	4	-	-	-	-	\$ -
Debt Payment-Yakimanka Apt Exp	4	153,649	-	9,732	163,381	\$ 2,816.92
<b>4 Total</b>		<b>198,111</b>	<b>189,325</b>	<b>221,019</b>	<b>608,455</b>	<b>\$ 10,490.61</b>
Communications/Tech Connection	5	-	15,255	24,431	39,686	\$ 684.24
Computer Services/Supplies	5	61,340	2,000	2,000	65,340	\$ 1,126.55
<b>5 Total</b>		<b>61,340</b>	<b>17,255</b>	<b>26,431</b>	<b>105,026</b>	<b>\$ 1,810.79</b>
Office Supplies/Postage	7	-	23,189	18,850	42,039	\$ 724.81
<b>7 Total</b>		<b>-</b>	<b>23,189</b>	<b>18,850</b>	<b>42,039</b>	<b>\$ 724.81</b>
Legal and Consulting Fees	8	3,000	-	-	3,000	\$ 51.72
<b>8 Total</b>		<b>3,000</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>\$ 51.72</b>
Liturgical Supplies (Note 4)	9	13,330	59,767	69,955	143,052	\$ 2,466.41
<b>9 Total</b>		<b>13,330</b>	<b>59,767</b>	<b>69,955</b>	<b>143,052</b>	<b>\$ 2,466.41</b>
Garbage Collection	11	4,333	4,333	4,333	12,999	\$ 224.12
Repairs to Church Premises (note 5)	11	3,600	-	48,786	52,386	\$ 903.21
Apartment Repairs/Main/Rent	11	33,317	10,408	-	43,725	\$ 753.87
Premises Maintenance/Tools (Note 3)	11	-	68,390	36,000	104,390	\$ 1,799.83
<b>11 Total</b>		<b>41,249</b>	<b>83,131</b>	<b>89,119</b>	<b>213,499</b>	<b>\$ 3,681.02</b>
<b>Renovation Expenses</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
<b>12 Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
Household Supplies	13	44,693	36,039	25,895	106,627	\$ 1,838.40
<b>13 Total</b>		<b>44,693</b>	<b>36,039</b>	<b>25,895</b>	<b>106,627</b>	<b>\$ 1,838.40</b>
Goods for Book Shop/Candle Stand	15	4,110	11,005	17,100	32,215	\$ 555.43
<b>15 Total</b>		<b>4,110</b>	<b>11,005</b>	<b>17,100</b>	<b>32,215</b>	<b>\$ 555.43</b>
Photographers	17	-	-	-	-	\$ -
Auto Expenses/Transportation	17	-	-	-	-	\$ -
Food for Staff Meals/Banquet	17	17,549	19,311	21,823	58,683	\$ 1,011.78
Church Flowers	17	7,000	-	6,500	13,500	\$ 232.76
Representative Expenses	17	-	44,984	6,400	51,384	\$ 885.93
<b>17 Total</b>		<b>24,549</b>	<b>64,295</b>	<b>34,723</b>	<b>123,567</b>	<b>\$ 2,130.47</b>
Contribution to Patriarchate/Deanery Gift	b	3,000	-	7,000	10,000	\$ 172.41
<b>b Total</b>		<b>3,000</b>	<b>-</b>	<b>7,000</b>	<b>10,000</b>	<b>\$ 172.41</b>
Pass-through donations to charity	c	-	-	-	-	\$ -
<b>c Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
<b>Grand Total</b>		<b>933,383</b>	<b>1,519,506</b>	<b>1,053,168</b>	<b>3,506,057</b>	<b>\$ 60,449.25</b>
<b>Net Surplus (Deficit)</b>		<b>(56,276)</b>	<b>(603,398)</b>	<b>104,224</b>	<b>(555,449)</b>	<b>(9,686)</b>
Bank Balance	623,337	567,061	(36,336)	67,888	67,888	
(1) <b>Contributions from OCA:</b>			<b>RUBLES</b>			
2/11/18 - To cover Bishop Daniel expenses		\$ 1,500.00	<b>33,000.00</b>			
(2) The monthly financials through January reflected salaries for PRIOR month. The February report includes both Jan and Feb salaries to properly reflect the timing of the expenses.						
(3) One time expenses - 35,000 to remove snow from roof of Church as required by law. " - 33,390 to purchase new electric stove and dishwasher for church kitchen.						
(4) February - purchased new Donation boxes for 32,490.						
(5) New Furniture for Dean's Office - 48,786 (part of earmarked donations)						

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

- A. Financial Statements and Auditor's Report for the Year Ended December 31, 2015
- B. Financial Statements and Auditor's Report for the Year Ended December 31, 2016
- C. Financial Statements and Auditor's Report for the Year Ended December 31, 2017

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

Financial Statements and  
Supplementary Information

December 31, 2015 and 2014



**BAKER TILLY**

Candor. Insight. Results.

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

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December 31, 2015 and 2014

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## **Independent Accountants' Review Report**

Board of Directors  
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying financial statements of St. Tikhon's Orthodox Monastery, which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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'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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America 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 accordance with accounting principles generally accepted in the United States of America.



**Known Departure From 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 effects of this departure from accounting principles generally accepted in the United States of America on financial position, changes in net assets, and cash flows have not been determined.

**Other Matter**

The departmental schedules of financial position, activities and operating, personnel and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the representation of management. We have reviewed the information and, based on our review, except for the effects of the matter described in the preceding paragraph, which has not been determined, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

*Baker Tilly Viechow Krause, LLP*

Wilkes-Barre, Pennsylvania  
April 12, 2016

**St. Tikhon's Orthodox Monastery****Statement of Financial Position**  
**December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 451,762	\$ 317,738
Accounts receivable	54,945	41,277
Inventories	396,721	397,767
Total current assets	903,428	756,782
<b>Property and Equipment, Net</b>	1,676,859	1,626,401
<b>Deferred Financing Costs, Net</b>	13,395	14,232
Total assets	<u>\$ 2,593,682</u>	<u>\$ 2,397,415</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 18,560	\$ 56,005
Accounts payable	24,251	25,334
Payroll taxes payable	1,990	1,686
Deferred revenue	1,400	1,098
Accrued interest	1,684	7,163
Sales tax payable	630	690
Total current liabilities	48,515	91,976
<b>Long-Term Debt</b>	404,013	1,233,811
Total liabilities	452,528	1,325,787
<b>Net Assets</b>		
Unrestricted	2,141,154	1,071,628
Total liabilities and net assets	<u>\$ 2,593,682</u>	<u>\$ 2,397,415</u>

*See notes to financial statements*

**St. Tikhon's Orthodox Monastery**

## Statement of Activities

Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Bequests	\$ 1,090,181	\$ 55,929
Bookstore	699,131	584,488
Contributions	454,082	389,944
Iconography projects	140,275	87,175
Cemetery plots	47,175	43,065
Activities	39,098	33,939
Assessment and dues	13,325	11,010
Investment income	22	823
Total support and revenue	<u>2,483,289</u>	<u>1,206,373</u>
<b>Expenses</b>		
Operating	549,003	453,871
Cost of goods sold	380,210	268,863
Personnel	264,461	230,032
Administrative	117,741	97,855
Interest	66,375	92,223
Fundraising - special events	35,973	7,326
Total expenses	<u>1,413,763</u>	<u>1,150,170</u>
Increase in net assets	1,069,526	56,203
<b>Net Assets, Beginning</b>	<u>1,071,628</u>	<u>1,015,425</u>
<b>Net Assets, Ending</b>	<u>\$ 2,141,154</u>	<u>\$ 1,071,628</u>

See notes to financial statements

**St. Tikhon's Orthodox Monastery****Statement of Cash Flows**

Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,069,526	\$ 56,203
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	102,145	98,433
Changes in assets and liabilities:		
Accounts receivable	(13,668)	8,176
Inventories	1,046	(55,025)
Prepaid expenses and current assets	-	3,181
Accounts payable	(1,083)	(9,608)
Payroll taxes payable	304	(107)
Deferred revenue	302	255
Accrued interest	(5,479)	3,396
Sales tax payable	(60)	(270)
Net cash provided by operating activities	<u>1,153,033</u>	<u>104,634</u>
<b>Cash Flows used in Investing Activities</b>		
Purchases of property and equipment	<u>(151,766)</u>	<u>(41,888)</u>
<b>Cash Flows from Financing Activities</b>		
Repayments of long-term debt	(867,243)	(76,113)
Proceeds from long-term debt	<u>-</u>	<u>15,050</u>
Net cash used in financing activities	<u>(867,243)</u>	<u>(61,063)</u>
Increase in cash and cash equivalents	134,024	1,683
<b>Cash and Cash Equivalents, Beginning</b>	<u>317,738</u>	<u>316,055</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 451,762</u>	<u>\$ 317,738</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 71,854</u>	<u>\$ 88,827</u>

See notes to financial statements

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

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Notes to Financial Statements  
December 31, 2015 and 2014

### **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 April 12, 2016, 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 are 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, 2015 and 2014

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, 2015 and 2014

### **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**

Deferred financing costs are amortized using the straight-line method over the term of the related debt. Amortization expense was \$837 in 2015 and 2014. This amount is reported net of accumulated amortization of \$3,348 in 2015 and \$2,511 in 2014.

### **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 2015 and 2014.

### **Reclassifications**

Certain reclassifications have been made to the 2014 amounts to conform to the 2015 presentation.

### **New Accounting Standards**

The Financial Accounting Standards Board (FASB) has issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The Monastery will be required to retrospectively adopt the guidance in ASU 2014-09 for the years beginning after December 15, 2018. The Monastery has not yet determined the impact of adoption of ASU 2014-09 on its financial statements.

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements  
December 31, 2015 and 2014

### 2. Property and Equipment, Net

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

	2015	2014
Land	\$ 5,300	\$ 5,300
Buildings and improvements	3,173,692	3,063,454
Furniture	29,806	13,377
Equipment	38,208	23,108
Vehicles	90,057	83,738
Total	3,337,063	3,188,977
Less accumulated depreciation	1,660,204	1,562,576
Property and equipment, net	\$ 1,676,859	\$ 1,626,401

Depreciation expense was \$101,308 in 2015 and \$97,596 in 2014.

### 3. Long-Term Debt and Subsequent Event

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

	2015	2014
<b>Monastery</b>		
<u>Fidelity Deposit and Discount Bank</u>		
Installment loan, monthly payment of \$277 including interest at 3.99%, maturing June 2019; secured by vehicle	\$ 10,603	\$ 13,445
<b>Bookstore</b>		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payment of \$4,165 (reduced to \$2,887 after January 2016) including interest at 4.70% for 84 months then adjusting to the prime rate plus 1.45%, maturing January 2032; secured by real estate	411,970	1,273,924
Loan paid off in 2015	-	2,447
Total	422,573	1,289,816
Less current portion	18,560	56,005
Long-term debt	\$ 404,013	\$ 1,233,811



## St. Tikhon's Orthodox Monastery

Notes to Financial Statements  
December 31, 2015 and 2014

In 2015, the Monastery reduced the outstanding balance of its mortgage by paying approximately \$800,000 of additional principal. As a result of this prepayment, the Honesdale National Bank adjusted the monthly payment from \$4,165 to \$2,887, effective February 2016. No other changes were made to the loan agreement.

Scheduled principal repayments for periods subsequent to December 31, 2015 are as follows:

Years ending December 31:	
2016	\$ 18,560
2017	19,429
2018	20,340
2019	19,376
2020	18,837
Thereafter	<u>326,031</u>
Total	<u>\$ 422,573</u>

### 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):

	2015	2014
Program services	\$ 1,260	\$ 1,045
General and administrative	118	98
Fundraising	<u>36</u>	<u>7</u>
Total	<u>\$ 1,414</u>	<u>\$ 1,150</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:

	2015	2014
Contributions	\$ 37,758	\$ 57,850
Health insurance reimbursement	39,005	38,748
General insurance reimbursement	<u>41,700</u>	<u>31,500</u>
Total	<u>\$ 118,463</u>	<u>\$ 128,098</u>

There was no balance due to the Seminary at December 31, 2015 and 2014.

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

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Notes to Financial Statements  
December 31, 2015 and 2014

### **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, 2015

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 423,744	\$ 28,018	\$ 451,762
Accounts receivable	-	54,945	54,945
Inventories	-	396,721	396,721
Total current assets	423,744	479,684	903,428
<b>Property and Equipment, Net</b>	916,372	760,487	1,676,859
<b>Deferred Financing Costs, Net</b>	-	13,395	13,395
Total assets	<u>\$ 1,340,116</u>	<u>\$ 1,253,566</u>	<u>\$ 2,593,682</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 2,946	\$ 15,614	\$ 18,560
Accounts payable	2,304	21,947	24,251
Due (from) to department	(996,027)	996,027	-
Payroll taxes payable	-	1,990	1,990
Deferred revenue	-	1,400	1,400
Accrued interest	-	1,684	1,684
Sales tax payable	-	630	630
Total current liabilities	(990,777)	1,039,292	48,515
<b>Long-Term Debt</b>	7,657	396,356	404,013
Total liabilities	(983,120)	1,435,648	452,528
<b>Net Assets</b>			
Unrestricted	<u>2,323,236</u>	<u>(182,082)</u>	<u>2,141,154</u>
Total liabilities and net assets	<u>\$ 1,340,116</u>	<u>\$ 1,253,566</u>	<u>\$ 2,593,682</u>

**St. Tikhon's Orthodox Monastery**

Schedule of Financial Position by Department  
December 31, 2014

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 302,707	\$ 15,031	\$ 317,738
Accounts receivable	-	41,277	41,277
Inventories	-	397,767	397,767
Total current assets	302,707	454,075	756,782
<b>Property and Equipment, Net</b>	836,111	790,290	1,626,401
<b>Deferred Financing Costs, Net</b>	-	14,232	14,232
Total assets	<u>\$ 1,138,818</u>	<u>\$ 1,258,597</u>	<u>\$ 2,397,415</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 2,840	\$ 53,165	\$ 56,005
Accounts payable	7,504	17,830	25,334
Due (from) to department	(131,728)	131,728	-
Payroll taxes payable	-	1,686	1,686
Deferred revenue	-	1,098	1,098
Accrued interest	-	7,163	7,163
Sales tax payable	-	690	690
Total current liabilities	(121,384)	213,360	91,976
<b>Long-Term Debt</b>	10,605	1,223,206	1,233,811
Total liabilities	(110,779)	1,436,566	1,325,787
<b>Net Assets</b>			
Unrestricted	1,249,597	(177,969)	1,071,628
Total liabilities and net assets	<u>\$ 1,138,818</u>	<u>\$ 1,258,597</u>	<u>\$ 2,397,415</u>

**St. Tikhon's Orthodox Monastery**

Schedule of Activities by Department  
Year Ended December 31, 2015

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bequests	\$ 1,090,181	\$ -	\$ 1,090,181
Bookstore	-	699,131	699,131
Contributions	454,082	-	454,082
Iconography projects	-	140,275	140,275
Cemetery plots	47,175	-	47,175
Activities	39,098	-	39,098
Assessment and dues	13,325	-	13,325
Investment income	-	22	22
	<u>-</u>	<u>22</u>	<u>22</u>
Total support and revenue	<u>1,643,861</u>	<u>839,428</u>	<u>2,483,289</u>
<b>Expenses</b>			
Operating	303,980	245,023	549,003
Cost of goods sold	-	380,210	380,210
Personnel	163,489	100,972	264,461
Administrative	83,573	34,168	117,741
Interest	12,601	53,774	66,375
Fundraising - special events	6,581	29,392	35,973
	<u>570,224</u>	<u>843,539</u>	<u>1,413,763</u>
Total expenses	<u>570,224</u>	<u>843,539</u>	<u>1,413,763</u>
Increase (decrease) in net assets	<u>\$ 1,073,637</u>	<u>\$ (4,111)</u>	<u>\$ 1,069,526</u>

**St. Tikhon's Orthodox Monastery**

Schedule of Activities by Department  
Year Ended December 31, 2014

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 584,488	\$ 584,488
Contributions	389,944	-	389,944
Iconography projects	-	87,175	87,175
Bequests	55,929	-	55,929
Cemetery plots	43,065	-	43,065
Activities	33,939	-	33,939
Assessment and dues	11,010	-	11,010
Investment income	813	10	823
	<u>534,700</u>	<u>671,673</u>	<u>1,206,373</u>
Total support and revenue			
<b>Expenses</b>			
Operating	277,752	176,119	453,871
Cost of goods sold	-	268,863	268,863
Personnel	143,509	86,523	230,032
Administrative	63,789	34,066	97,855
Interest	13,528	78,695	92,223
Fundraising - special events	6,625	701	7,326
	<u>505,203</u>	<u>644,967</u>	<u>1,150,170</u>
Total expenses			
Increase in net assets	<u>\$ 29,497</u>	<u>\$ 26,706</u>	<u>\$ 56,203</u>

**St. Tikhon's Orthodox Monastery****Schedule of Operating, Personnel, and Administrative Expenses by Department**  
**Year Ended December 31, 2015**

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Iconography projects	\$ -	\$ 121,595	\$ 121,595
Contributions and stipends	99,772	8,714	108,486
Depreciation and amortization	56,405	45,740	102,145
Utilities	50,089	12,144	62,233
Insurance	-	41,700	41,700
Repairs and maintenance	35,271	395	35,666
Supplies	14,351	7,997	22,348
Liturgical	20,714	-	20,714
Telephone	6,984	6,738	13,722
Equipment	11,694	-	11,694
Cemetery costs	8,700	-	8,700
	<u>\$ 303,980</u>	<u>\$ 245,023</u>	<u>\$ 549,003</u>
<b>Personnel</b>			
Health insurance	\$ 99,726	\$ -	\$ 99,726
Salary and wages	-	95,208	95,208
Maintenance and support	63,763	-	63,763
Payroll taxes	-	5,764	5,764
	<u>\$ 163,489</u>	<u>\$ 100,972</u>	<u>\$ 264,461</u>
<b>Administrative</b>			
Automobile	\$ 32,226	\$ 275	\$ 32,501
Professional fees	25,459	6,179	31,638
Office supplies	10,005	6,906	16,911
Travel	15,883	-	15,883
Salary and wages	-	14,850	14,850
Advertising	-	4,837	4,837
Payroll taxes	-	1,121	1,121
	<u>\$ 83,573</u>	<u>\$ 34,168</u>	<u>\$ 117,741</u>

**St. Tikhon's Orthodox Monastery****Schedule of Operating, Personnel, and Administrative Expenses by Department**  
**Year Ended December 31, 2014**

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Depreciation and amortization	\$ 51,627	\$ 46,806	\$ 98,433
Contributions and stipends	88,855	3,412	92,267
Utilities	59,427	16,115	75,542
Iconography projects	-	69,230	69,230
Insurance	-	30,000	30,000
Repairs and maintenance	24,022	336	24,358
Liturgical	17,313	-	17,313
Supplies	12,671	2,742	15,413
Telephone	7,358	5,065	12,423
Cemetery costs	8,450	-	8,450
Equipment	8,029	-	8,029
Bad debt	-	2,413	2,413
	<u>\$ 277,752</u>	<u>\$ 176,119</u>	<u>\$ 453,871</u>
<b>Personnel</b>			
Health insurance	\$ 78,312	\$ 383	\$ 78,695
Salary and wages	-	72,034	72,034
Maintenance and support	65,197	-	65,197
Payroll taxes	-	14,106	14,106
	<u>\$ 143,509</u>	<u>\$ 86,523</u>	<u>\$ 230,032</u>
<b>Administrative</b>			
Automobile	\$ 27,635	\$ 239	\$ 27,874
Professional fees	12,857	9,778	22,635
Office supplies	12,067	5,739	17,806
Salary and wages	-	15,204	15,204
Travel	11,230	-	11,230
Advertising	-	1,943	1,943
Payroll taxes	-	1,163	1,163
	<u>\$ 63,789</u>	<u>\$ 34,066</u>	<u>\$ 97,855</u>



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

Financial Statements and  
Supplementary Information

December 31, 2016 and 2015



Candor. Insight. Results.

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

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December 31, 2016 and 2015

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## **Independent Accountants' Review Report**

Board of Directors  
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying financial statements of St. Tikhon's Orthodox Monastery, which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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'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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our reviews, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America 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 accordance with accounting principles generally accepted in the United States of America.

### **Known Departure From 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 financial position, changes in net assets, and cash flows have not been determined.

### **Other Matter**

The departmental schedules of financial position, activities and operating, personnel and administrative expenses are presented for purposes of additional analysis and are 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 financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. Except for the effects of the matter described in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, if any, we are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*Baker Tilly Virchow Krause, LLP*

Wilkes-Barre, Pennsylvania  
May 18, 2017

**St. Tikhon's Orthodox Monastery**Statement of Financial Position  
December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 414,102	\$ 451,762
Accounts receivable	55,145	54,945
Due from related party	25,000	-
Inventories	369,349	396,721
Total current assets	863,596	903,428
<b>Property and Equipment, Net</b>	1,672,043	1,676,859
<b>Deferred Financing Costs, Net</b>	12,558	13,395
Total assets	<u>\$ 2,548,197</u>	<u>\$ 2,593,682</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 17,949	\$ 18,560
Accounts payable	35,276	24,251
Payroll taxes payable	2,169	1,990
Deferred revenue	1,024	1,400
Accrued interest	1,595	1,684
Sales tax payable	730	630
Total current liabilities	58,743	48,515
<b>Long-Term Debt</b>	345,421	404,013
Total liabilities	404,164	452,528
<b>Net Assets</b>		
Unrestricted	2,144,033	2,141,154
Total liabilities and net assets	<u>\$ 2,548,197</u>	<u>\$ 2,593,682</u>

See notes to financial statements

**St. Tikhon's Orthodox Monastery**

## Statement of Activities

Years Ended December 31, 2016 and 2015

	2016	2015
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Bookstore	\$ 690,663	\$ 699,131
Contributions	464,337	454,082
Cemetery plots	64,177	47,175
Iconography projects	56,900	140,275
Activities	55,382	39,098
Bequests	21,125	1,090,181
Assessment and dues	13,175	13,325
Investment income	505	22
Total support and revenue	1,366,264	2,483,289
<b>Expenses</b>		
Operating	501,657	547,810
Cost of goods sold	358,406	381,403
Personnel	291,349	264,461
Administrative	117,018	117,741
Interest	52,297	66,375
Fundraising - special events	41,036	35,973
Loss on disposal of equipment	1,622	-
Total expenses	1,363,385	1,413,763
Increase in net assets	2,879	1,069,526
<b>Net Assets, Beginning</b>	2,141,154	1,071,628
<b>Net Assets, Ending</b>	\$ 2,144,033	\$ 2,141,154

See notes to financial statements

**St. Tikhon's Orthodox Monastery****Statement of Cash Flows**

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 2,879	\$ 1,069,526
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	104,455	102,145
Bad debt expense	162	-
Loss on sale of equipment	1,622	-
Changes in assets and liabilities:		
Accounts receivable	(362)	(13,668)
Inventories	27,372	1,046
Accounts payable	11,025	(1,083)
Payroll taxes payable	179	304
Deferred revenue	(376)	302
Accrued interest	(89)	(5,479)
Sales tax payable	100	(60)
Net cash provided by operating activities	<u>146,967</u>	<u>1,153,033</u>
<b>Cash Flows used in Investing Activities</b>		
Purchases of property and equipment	(100,424)	(151,766)
Advance to related party	<u>(25,000)</u>	<u>-</u>
Cash used in investing activities	<u>(125,424)</u>	<u>(151,766)</u>
<b>Cash Flows used in Financing Activities</b>		
Repayments of long-term debt	<u>(59,203)</u>	<u>(867,243)</u>
(Decrease) increase in cash and cash equivalents	(37,660)	134,024
<b>Cash and Cash Equivalents, Beginning</b>	<u>451,762</u>	<u>317,738</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 414,102</u>	<u>\$ 451,762</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 17,919</u>	<u>\$ 41,901</u>

See notes to financial statements

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

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Notes to Financial Statements  
December 31, 2016 and 2015

### **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 18, 2017 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 are 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, 2016 and 2015

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, 2016 and 2015

### **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**

Deferred financing costs are amortized using the straight-line method over the term of the related debt. Amortization expense was \$837 in 2016 and 2015. This amount is reported net of accumulated amortization of \$4,185 in 2016 and \$3,348 in 2015.

### **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 2016 and 2015.

### **Reclassifications**

Certain reclassifications have been made to the 2015 amounts to conform to the 2016 presentation.

### **New Accounting Standard**

The Financial Accounting Standards Board (FASB) has issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The Monastery will be required to retrospectively adopt the guidance in ASU 2014-09 for the years beginning after December 15, 2018. The Monastery has not yet determined the impact of adoption of ASU 2014-09 on its financial statements.

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements  
December 31, 2016 and 2015

### 2. Property and Equipment, Net

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

	2016	2015
Land	\$ 5,300	\$ 5,300
Buildings and improvements	3,250,187	3,173,692
Furniture	37,306	29,806
Equipment	41,058	38,208
Vehicles	101,143	90,057
Total	3,434,994	3,337,063
Less accumulated depreciation	1,762,951	1,660,204
Property and equipment, net	\$ 1,672,043	\$ 1,676,859

Depreciation expense was \$103,618 in 2016 and \$101,308 in 2015.

### 3. Long-Term Debt

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

	2016	2015
<b>Bookstore</b>		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payment of \$2,887 including interest at 4.70% for 84 months then adjusting to the prime rate plus 1.45%, maturing January 2032; secured by real estate	\$ 363,370	\$ 411,970
Loan repaid in 2016	-	10,603
Total	363,370	422,573
Less current portion	17,949	18,560
Long-term debt	\$ 345,421	\$ 404,013

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements  
December 31, 2016 and 2015

Scheduled principal repayments for periods subsequent to December 31, 2016 are as follows:

Years ending December 31:	
2017	\$ 17,949
2018	18,811
2019	19,714
2020	20,661
2021	21,653
Thereafter	<u>264,582</u>
Total	<u>\$ 363,370</u>

### 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>2016</u>	<u>2015</u>
Program services	\$ 1,205	\$ 1,260
General and administrative	117	118
Fundraising	<u>41</u>	<u>36</u>
Total	<u>\$ 1,363</u>	<u>\$ 1,414</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>2016</u>	<u>2015</u>
General insurance reimbursement	\$ 37,000	\$ 41,700
Contributions	31,600	37,758
Health insurance reimbursement	<u>14,574</u>	<u>39,005</u>
Total	<u>\$ 83,174</u>	<u>\$ 118,463</u>

In 2016, the Monastery advanced to the Seminary \$50,000 for working capital purposes. At December 31, 2016, the management of the Monastery decided to contribute \$25,000 of this advance to the Seminary. The balance due to the Monastery at December 31, 2016 was \$25,000. This advance is expected to be repaid in the current operating cycle.

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

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Notes to Financial Statements

December 31, 2016 and 2015

### **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, 2016

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 373,524	\$ 40,578	\$ 414,102
Accounts receivable	-	55,145	55,145
Due from related party	25,000	-	25,000
Inventories	-	369,349	369,349
Total current assets	398,524	465,072	863,596
<b>Property and Equipment, Net</b>	947,340	724,703	1,672,043
<b>Deferred Financing Costs, Net</b>	-	12,558	12,558
Total assets	<u>\$ 1,345,864</u>	<u>\$ 1,202,333</u>	<u>\$ 2,548,197</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ -	\$ 17,949	\$ 17,949
Accounts payable	12,134	23,142	35,276
Due (from) to department	(996,354)	996,354	-
Payroll taxes payable	-	2,169	2,169
Deferred revenue	-	1,024	1,024
Accrued interest	-	1,595	1,595
Sales tax payable	-	730	730
Total current liabilities	(984,220)	1,042,963	58,743
<b>Long-Term Debt</b>	-	345,421	345,421
Total liabilities	(984,220)	1,388,384	404,164
<b>Net Assets</b>			
Unrestricted (deficit)	<u>2,330,084</u>	<u>(186,051)</u>	<u>2,144,033</u>
Total liabilities and net assets	<u>\$ 1,345,864</u>	<u>\$ 1,202,333</u>	<u>\$ 2,548,197</u>

**St. Tikhon's Orthodox Monastery**

Schedule of Financial Position by Department  
December 31, 2015

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 423,744	\$ 28,018	\$ 451,762
Accounts receivable	-	54,945	54,945
Inventories	-	396,721	396,721
Total current assets	423,744	479,684	903,428
<b>Property and Equipment, Net</b>	916,372	760,487	1,676,859
<b>Deferred Financing Costs, Net</b>	-	13,395	13,395
Total assets	<u>\$ 1,340,116</u>	<u>\$ 1,253,566</u>	<u>\$ 2,593,682</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 2,946	\$ 15,614	\$ 18,560
Accounts payable	2,304	21,947	24,251
Due (from) to department	(996,027)	996,027	-
Payroll taxes payable	-	1,990	1,990
Deferred revenue	-	1,400	1,400
Accrued interest	-	1,684	1,684
Sales tax payable	-	630	630
Total current liabilities	(990,777)	1,039,292	48,515
<b>Long-Term Debt</b>	7,657	396,356	404,013
Total liabilities	(983,120)	1,435,648	452,528
<b>Net Assets</b>			
Unrestricted (deficit)	2,323,236	(182,082)	2,141,154
Total liabilities and net assets	<u>\$ 1,340,116</u>	<u>\$ 1,253,566</u>	<u>\$ 2,593,682</u>

**St. Tikhon's Orthodox Monastery**

## Schedule of Activities by Department

Year Ended December 31, 2016

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 690,663	\$ 690,663
Contributions	449,337	15,000	464,337
Cemetery plots	64,177	-	64,177
Iconography projects	-	56,900	56,900
Activities	55,382	-	55,382
Bequests	21,125	-	21,125
Assessment and dues	13,175	-	13,175
Investment income	491	14	505
	<u>603,687</u>	<u>762,577</u>	<u>1,366,264</u>
<b>Expenses</b>			
Operating	338,226	163,431	501,657
Cost of goods sold	-	358,406	358,406
Personnel	164,488	126,861	291,349
Administrative	67,010	50,008	117,018
Interest	13,636	38,661	52,297
Fundraising - special events	11,857	29,179	41,036
Loss on disposal of equipment	1,622	-	1,622
	<u>596,839</u>	<u>766,546</u>	<u>1,363,385</u>
Total support and revenue	<u>603,687</u>	<u>762,577</u>	<u>1,366,264</u>
Total expenses	<u>596,839</u>	<u>766,546</u>	<u>1,363,385</u>
Increase (decrease) in net assets	<u>\$ 6,848</u>	<u>\$ (3,969)</u>	<u>\$ 2,879</u>



**St. Tikhon's Orthodox Monastery**

Schedule of Activities by Department  
Year Ended December 31, 2015

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bequests	\$ 1,090,181	\$ -	\$ 1,090,181
Bookstore	-	699,131	699,131
Contributions	454,082	-	454,082
Iconography projects	-	140,275	140,275
Cemetery plots	47,175	-	47,175
Activities	39,098	-	39,098
Assessment and dues	13,325	-	13,325
Investment income	-	22	22
	<u>1,643,861</u>	<u>839,428</u>	<u>2,483,289</u>
<b>Expenses</b>			
Operating	303,980	243,830	547,810
Cost of goods sold	-	381,403	381,403
Personnel	163,489	100,972	264,461
Administrative	83,573	34,168	117,741
Interest	12,601	53,774	66,375
Fundraising - special events	6,581	29,392	35,973
	<u>570,224</u>	<u>843,539</u>	<u>1,413,763</u>
Total expenses	<u>570,224</u>	<u>843,539</u>	<u>1,413,763</u>
Increase (decrease) in net assets	<u>\$ 1,073,637</u>	<u>\$ (4,111)</u>	<u>\$ 1,069,526</u>

**St. Tikhon's Orthodox Monastery****Schedule of Operating, Personnel, and Administrative Expenses by Department**  
Year Ended December 31, 2016

	<b>Monastery</b>	<b>Bookstore</b>	<b>Totals</b>
<b>Operating</b>			
Depreciation and amortization	\$ 57,484	\$ 46,971	\$ 104,455
Repairs and maintenance	68,470	4,869	73,339
Contributions and stipends	71,026	-	71,026
Utilities	46,439	8,867	55,306
Iconography projects	-	50,330	50,330
Insurance	-	37,000	37,000
Equipment	34,166	-	34,166
Liturgical	28,431	-	28,431
Supplies	13,038	5,334	18,372
Telephone	7,272	9,898	17,170
Cemetery costs	11,900	-	11,900
Bad debt expense	-	162	162
Total operating	<u>\$ 338,226</u>	<u>\$ 163,431</u>	<u>\$ 501,657</u>
<b>Personnel</b>			
Salary and wages	\$ -	\$ 116,008	\$ 116,008
Maintenance and support	87,405	-	87,405
Health insurance	77,083	2,406	79,489
Payroll taxes	-	8,447	8,447
Total personnel	<u>\$ 164,488</u>	<u>\$ 126,861</u>	<u>\$ 291,349</u>
<b>Administrative</b>			
Office supplies	\$ 19,824	\$ 15,924	\$ 35,748
Travel	24,674	-	24,674
Automobile	22,496	300	22,796
Salary and wages	-	14,700	14,700
Advertising	16	9,094	9,110
Professional fees	-	8,865	8,865
Payroll taxes	-	1,125	1,125
Total administrative	<u>\$ 67,010</u>	<u>\$ 50,008</u>	<u>\$ 117,018</u>

**St. Tikhon's Orthodox Monastery****Schedule of Operating, Personnel, and Administrative Expenses by Department**  
**Year Ended December 31, 2015**

	<b>Monastery</b>	<b>Bookstore</b>	<b>Totals</b>
<b>Operating</b>			
Iconography projects	\$ -	\$ 121,595	\$ 121,595
Contributions and stipends	99,772	8,714	108,486
Depreciation and amortization	56,405	45,740	102,145
Utilities	50,089	12,144	62,233
Insurance	-	41,700	41,700
Repairs and maintenance	35,271	395	35,666
Supplies	14,351	6,804	21,155
Liturgical	20,714	-	20,714
Telephone	6,984	6,738	13,722
Equipment	11,694	-	11,694
Cemetery costs	8,700	-	8,700
<b>Total operating</b>	<b>\$ 303,980</b>	<b>\$ 243,830</b>	<b>\$ 547,810</b>
<b>Personnel</b>			
Health insurance	\$ 99,726	\$ -	\$ 99,726
Salary and wages	-	95,208	95,208
Maintenance and support	63,763	-	63,763
Payroll taxes	-	5,764	5,764
<b>Total personnel</b>	<b>\$ 163,489</b>	<b>\$ 100,972</b>	<b>\$ 264,461</b>
<b>Administrative</b>			
Automobile	\$ 32,226	\$ 275	\$ 32,501
Professional fees	25,459	6,179	31,638
Office supplies	10,005	6,906	16,911
Travel	15,883	-	15,883
Salary and wages	-	14,850	14,850
Advertising	-	4,837	4,837
Payroll taxes	-	1,121	1,121
<b>Total administrative</b>	<b>\$ 83,573</b>	<b>\$ 34,168</b>	<b>\$ 117,741</b>

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

Financial Statements and  
Supplementary Information

December 31, 2017 and 2016



**BAKER TILLY**

Candor. Insight. Results.

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

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December 31, 2017 and 2016

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## **Independent Accountants' Review Report**

Board of Directors  
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying financial statements of St. Tikhon's Orthodox Monastery, which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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'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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our reviews, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America 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 accordance with accounting principles generally accepted in the United States of America.

**Known Departure From 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 effects of this departure from accounting principles generally accepted in the United States of America on financial position, changes in net assets, and cash flows have not been determined.

**Other Matter**

The departmental schedules of financial position, activities and operating, personnel and administrative expenses are presented for purposes of additional analysis and are 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 financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. Except for the effects of the matter described in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, if any, we are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*Baker Tilly Virchow Krause, LLP*

Wilkes-Barre, Pennsylvania  
April 23, 2018

**St. Tikhon's Orthodox Monastery**

Statement of Financial Position  
December 31, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 374,663	\$ 414,102
Accounts receivable	63,188	55,145
Due from related party	-	25,000
Inventories	333,376	369,349
Total current assets	771,227	863,596
<b>Property and Equipment, Net</b>	1,671,082	1,672,043
<b>Deferred Financing Costs, Net</b>	11,720	12,558
Total assets	<u>\$ 2,454,029</u>	<u>\$ 2,548,197</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 22,274	\$ 17,949
Accounts payable	24,559	35,276
Payroll taxes payable	2,861	2,169
Deferred revenue	979	1,024
Accrued interest	1,340	1,595
Sales tax payable	748	730
Total current liabilities	52,761	58,743
<b>Long-Term Debt</b>	328,223	345,421
Total liabilities	380,984	404,164
<b>Net Assets</b>		
Unrestricted	2,073,045	2,144,033
Total liabilities and net assets	<u>\$ 2,454,029</u>	<u>\$ 2,548,197</u>

See notes to financial statements



**St. Tikhon's Orthodox Monastery**

## Statement of Activities

Years Ended December 31, 2017 and 2016

	2017	2016
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Bookstore	\$ 729,436	\$ 690,663
Contributions	484,815	514,337
Iconography projects	104,000	56,900
Bequests	77,572	21,125
Cemetery plots	56,924	64,177
Activities	46,850	55,382
Assessment and dues	10,530	13,175
Investment income	2,446	505
Total support and revenue	1,512,573	1,416,264
<b>Expenses</b>		
Operating	627,313	585,888
Cost of goods sold	428,067	358,406
Personnel	332,082	291,349
Administrative	126,281	117,018
Fundraising - special events	55,007	41,036
Interest	14,811	18,066
Loss on disposal of equipment	-	1,622
Total expenses	1,583,561	1,413,385
(Decrease) increase in net assets	(70,988)	2,879
<b>Net Assets, Beginning</b>	2,144,033	2,141,154
<b>Net Assets, Ending</b>	<u>\$ 2,073,045</u>	<u>\$ 2,144,033</u>

See notes to financial statements

**St. Tikhon's Orthodox Monastery****Statement of Cash Flows**

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (70,988)	\$ 2,879
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	116,752	104,455
Bad debt expense	-	162
Loss on sale of equipment	-	1,622
Changes in assets and liabilities:		
Accounts receivable	(8,043)	(362)
Inventories	35,973	27,372
Accounts payable	(10,717)	11,025
Payroll taxes payable	692	179
Deferred revenue	(45)	(376)
Accrued interest	(255)	(89)
Sales tax payable	18	100
Net cash provided by operating activities	<u>63,387</u>	<u>146,967</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(95,473)	(100,424)
Advance to related party	<u>25,000</u>	<u>(25,000)</u>
Cash used in investing activities	<u>(70,473)</u>	<u>(125,424)</u>
<b>Cash Flows used in Financing Activities</b>		
Repayments of long-term debt	<u>(32,353)</u>	<u>(59,203)</u>
Decrease in cash and cash equivalents	(39,439)	(37,660)
<b>Cash and Cash Equivalents, Beginning</b>	<u>414,102</u>	<u>451,762</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 374,663</u>	<u>\$ 414,102</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 15,066</u>	<u>\$ 17,919</u>
<b>Supplemental Disclosure of Noncash Investing Activities and Financing Activities</b>		
Vehicle acquisition financed with manufacturer	<u>\$ 19,480</u>	<u>\$ -</u>

See notes to financial statements

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

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Notes to Financial Statements  
December 31, 2017 and 2016

### **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 April 23, 2018, 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 are 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 net realizable value.

#### **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, 2017 and 2016

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, 2017 and 2016

### 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

Deferred financing costs are amortized using the straight-line method over the term of the related debt. Amortization expense was \$838 in 2017 and 2016. This amount is reported net of accumulated amortization of \$5,023 in 2017 and \$4,185 in 2016.

### 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 2017 and 2016.

### Reclassifications

Certain reclassifications have been made to the 2016 amounts to conform to the 2017 presentation.

### New Accounting Standard

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB also issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09; ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations in Topic 606; ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, which clarifies the identification of performance obligations and the licensing implementation guidance; ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606*, which both affect narrow aspects of Topic 606. Topic 606 (as amended) is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The company may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Monastery has not yet determined the impact of adoption of ASU 2014-09 on its financial statements.

## St. Tikhon's Orthodox Monastery

### Notes to Financial Statements December 31, 2017 and 2016

During July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. ASU No. 2015-11 requires entities to measure inventory, other than inventory measured using the last-in, first-out or retail inventory methods, at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation. ASU No. 2015-11 is effective for the Monastery's year beginning January 1, 2017. The Monastery's adoption of ASU No. 2015-11 did not have a material effect on the its results of operations, financial position or cash flows.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Monastery for fiscal 2019, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Monastery is assessing the impact this standard will have on its financial statements.

## 2. Property and Equipment, Net

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

	2017	2016
Land	\$ 5,300	\$ 5,300
Land improvements	7,699	-
Buildings and improvements	3,307,104	3,250,187
Furniture	37,306	37,306
Equipment	56,255	41,058
Vehicles	94,408	101,143
Total	3,508,072	3,434,994
Less accumulated depreciation	1,836,990	1,762,951
Property and equipment, net	\$ 1,671,082	\$ 1,672,043

Depreciation expense was \$115,914 in 2017 and \$103,618 in 2016.

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements  
December 31, 2017 and 2016

### 3. Long-Term Debt

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

	2017	2016
<b>Bookstore</b>		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payment of \$2,887 including interest at 4.70% for 84 months then adjusting to the prime rate plus 1.45%, maturing January 2032; secured by real estate	\$ 331,464	\$ 363,370
<u>Kia Finance</u>		
Note payable in monthly installments of \$326, including interest at 6.29% for 72 months, maturing October 2023; secured by personal property	19,033	-
Total	350,497	363,370
Less current portion	22,274	17,949
Long-term debt	<u>\$ 328,223</u>	<u>\$ 345,421</u>

Scheduled principal repayments for periods subsequent to December 31, 2017 are as follows:

Years ending December 31:	
2018	\$ 22,274
2019	23,389
2020	24,562
2021	25,795
2022	27,090
Thereafter	227,387
Total	<u>\$ 350,497</u>

### 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):

	2017	2016
Program services	\$ 1,402	\$ 1,255
General and administrative	126	117
Fundraising	55	41
Total	<u>\$ 1,583</u>	<u>\$ 1,413</u>

## St. Tikhon's Orthodox Monastery

Notes to Financial Statements  
December 31, 2017 and 2016

### 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:

	2017	2016
General insurance reimbursement	\$ 38,400	\$ 37,000
Contributions	12,582	31,600
Health insurance reimbursement	19,550	14,574
Total	\$ 70,532	\$ 83,174

In 2016, the Monastery advanced to the Seminary \$50,000 for working capital purposes. At December 31, 2016, the management of the Monastery decided to contribute \$25,000 of this advance to the Seminary. The balance due to the Monastery at December 31, 2016 was \$25,000. This advance was repaid at December 31, 2017.

### 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, 2017

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 354,306	\$ 20,357	\$ 374,663
Accounts receivable	-	63,188	63,188
Inventories	-	333,376	333,376
Total current assets	354,306	416,921	771,227
<b>Property and Equipment, Net</b>	989,171	681,911	1,671,082
<b>Deferred Financing Costs, Net</b>	-	11,720	11,720
Total assets	<u>\$ 1,343,477</u>	<u>\$ 1,110,552</u>	<u>\$ 2,454,029</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ 2,789	\$ 19,485	\$ 22,274
Accounts payable	8,016	16,543	24,559
Due (from) to related party	(965,804)	965,804	-
Payroll taxes payable	-	2,861	2,861
Deferred revenue	-	979	979
Accrued interest	-	1,340	1,340
Sales tax payable	-	748	748
Total current liabilities	(954,999)	1,007,760	52,761
<b>Long-Term Debt</b>	16,244	311,979	328,223
Total liabilities	(938,755)	1,319,739	380,984
<b>Net Assets</b>			
Unrestricted (deficit)	2,282,232	(209,187)	2,073,045
Total liabilities and net assets	<u>\$ 1,343,477</u>	<u>\$ 1,110,552</u>	<u>\$ 2,454,029</u>

**St. Tikhon's Orthodox Monastery**

## Schedule of Financial Position by Department

December 31, 2016

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 373,524	\$ 40,578	\$ 414,102
Accounts receivable	-	55,145	55,145
Due from related party	25,000	-	25,000
Inventories	-	369,349	369,349
Total current assets	398,524	465,072	863,596
<b>Property and Equipment, Net</b>	947,340	724,703	1,672,043
<b>Deferred Financing Costs, Net</b>	-	12,558	12,558
Total assets	<u>\$ 1,345,864</u>	<u>\$ 1,202,333</u>	<u>\$ 2,548,197</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Current portion of long-term debt	\$ -	\$ 17,949	\$ 17,949
Accounts payable	12,134	23,142	35,276
Due (from) to department	(996,354)	996,354	-
Payroll taxes payable	-	2,169	2,169
Deferred revenue	-	1,024	1,024
Accrued interest	-	1,595	1,595
Sales tax payable	-	730	730
Total current liabilities	(984,220)	1,042,963	58,743
<b>Long-Term Debt</b>	-	345,421	345,421
Total liabilities	(984,220)	1,388,384	404,164
<b>Net Assets</b>			
Unrestricted (deficit)	<u>2,330,084</u>	<u>(186,051)</u>	<u>2,144,033</u>
Total liabilities and net assets	<u>\$ 1,345,864</u>	<u>\$ 1,202,333</u>	<u>\$ 2,548,197</u>

**St. Tikhon's Orthodox Monastery**

Schedule of Activities by Department  
Year Ended December 31, 2017

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 729,436	\$ 729,436
Contributions	425,506	59,309	484,815
Iconography projects	-	104,000	104,000
Bequests	77,572	-	77,572
Cemetery plots	56,924	-	56,924
Activities	46,850	-	46,850
Assessment and dues	10,530	-	10,530
Investment income	2,433	13	2,446
	<u>619,815</u>	<u>892,758</u>	<u>1,512,573</u>
Total support and revenue			
<b>Expenses</b>			
Operating	391,059	236,254	627,313
Cost of goods sold	-	428,067	428,067
Personnel	179,546	152,536	332,082
Administrative	80,468	45,813	126,281
Fundraising - special events	16,391	38,616	55,007
Interest	203	14,608	14,811
	<u>667,667</u>	<u>915,894</u>	<u>1,583,561</u>
Total expenses			
Decrease in net assets	<u>\$ (47,852)</u>	<u>\$ (23,136)</u>	<u>\$ (70,988)</u>

**St. Tikhon's Orthodox Monastery**

Schedule of Activities by Department  
Year Ended December 31, 2016

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Changes in Unrestricted Net Assets</b>			
<b>Support and Revenue</b>			
Bookstore	\$ -	\$ 690,663	\$ 690,663
Contributions	499,337	15,000	514,337
Cemetery plots	64,177	-	64,177
Iconography projects	-	56,900	56,900
Activities	55,382	-	55,382
Bequests	21,125	-	21,125
Assessment and dues	13,175	-	13,175
Investment income	491	14	505
	<u>653,687</u>	<u>762,577</u>	<u>1,416,264</u>
<b>Expenses</b>			
Operating	401,862	184,026	585,888
Cost of goods sold	-	358,406	358,406
Personnel	164,488	126,861	291,349
Administrative	67,010	50,008	117,018
Interest	-	18,066	18,066
Fundraising - special events	11,857	29,179	41,036
Loss on disposal of equipment	1,622	-	1,622
	<u>646,839</u>	<u>766,546</u>	<u>1,413,385</u>
Total expenses	<u>646,839</u>	<u>766,546</u>	<u>1,413,385</u>
Increase (decrease) in net assets	<u>\$ 6,848</u>	<u>\$ (3,969)</u>	<u>\$ 2,879</u>

**St. Tikhon's Orthodox Monastery****Schedule of Operating, Personnel, and Administrative Expenses by Department**  
**Year Ended December 31, 2017**

	<b>Monastery</b>	<b>Bookstore</b>	<b>Totals</b>
<b>Operating</b>			
Repairs and maintenance	\$ 118,241	\$ 11,183	\$ 129,424
Depreciation and amortization	70,123	46,629	116,752
Iconography projects	-	96,240	96,240
Utilities	55,739	9,434	65,173
Contributions and stipends	39,426	-	39,426
Insurance	-	38,400	38,400
Supplies	26,993	4,712	31,705
Equipment	24,765	-	24,765
Liturgical	23,177	-	23,177
Credit card fees	-	18,959	18,959
Assessments and dues	12,606	1,522	14,128
Telephone	6,524	7,205	13,729
Cemetery costs	10,717	-	10,717
Bank fees	2,748	1,970	4,718
Total operating	<u>\$ 391,059</u>	<u>\$ 236,254</u>	<u>\$ 627,313</u>
<b>Personnel</b>			
Salary and wages	\$ -	\$ 137,724	\$ 137,724
Maintenance and support	96,605	-	96,605
Health insurance	82,941	4,703	87,644
Payroll taxes	-	10,109	10,109
Total personnel	<u>\$ 179,546</u>	<u>\$ 152,536</u>	<u>\$ 332,082</u>
<b>Administrative</b>			
Office supplies	\$ 23,870	\$ 15,139	\$ 39,009
Automobile	18,912	207	19,119
Other expenses	18,173	-	18,173
Salary and wages	-	14,400	14,400
Professional fees	7,963	6,347	14,310
Travel	10,935	-	10,935
Advertising	615	8,618	9,233
Payroll taxes	-	1,102	1,102
Total administrative	<u>\$ 80,468</u>	<u>\$ 45,813</u>	<u>\$ 126,281</u>

## St. Tikhon's Orthodox Monastery

### Schedule of Operating, Personnel, and Administrative Expenses by Department Year Ended December 31, 2016

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
<b>Operating</b>			
Depreciation and amortization	\$ 57,484	\$ 46,971	\$ 104,455
Repairs and maintenance	68,470	4,869	73,339
Contributions and stipends	121,026	-	121,026
Utilities	46,439	8,867	55,306
Iconography projects	-	50,330	50,330
Insurance	-	37,000	37,000
Equipment	34,166	-	34,166
Liturgical	28,431	-	28,431
Supplies	13,038	5,334	18,372
Credit card fees	-	17,703	17,703
Telephone	7,272	9,898	17,170
Assessments and dues	12,658	874	13,532
Cemetery costs	11,900	-	11,900
Bank fees	1,214	2,018	3,232
Bad debt expense	-	162	162
Total operating	<u>\$ 402,098</u>	<u>\$ 184,026</u>	<u>\$ 586,124</u>
<b>Personnel</b>			
Salary and wages	\$ -	\$ 116,008	\$ 116,008
Maintenance and support	87,405	-	87,405
Health insurance	77,083	2,406	79,489
Payroll taxes	-	8,447	8,447
Total personnel	<u>\$ 164,488</u>	<u>\$ 126,861</u>	<u>\$ 291,349</u>
<b>Administrative</b>			
Office supplies	\$ 19,824	\$ 15,924	\$ 35,748
Travel	24,674	-	24,674
Automobile	22,496	300	22,796
Salary and wages	-	14,700	14,700
Advertising	16	9,094	9,110
Professional fees	-	8,865	8,865
Payroll taxes	-	1,125	1,125
Total administrative	<u>\$ 67,010</u>	<u>\$ 50,008</u>	<u>\$ 117,018</u>

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

- A. Financial Statements for the Year ended June 30, 2015 and 2014 and Independent Auditors' Report and Additional Information
- B. Financial Statements for the Year ended June 30, 2016 and 2015 and Independent Auditors' Report and Additional Information
- C. Financial Statements for the Year Ended June 30, 2017 and 2016

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

Financial Statements and  
Supplementary Information

June 30, 2015 and 2014



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

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June 30, 2015 and 2014

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## 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, 2015 and 2014, 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 2015 and 2014 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  
February 24, 2016

**St. Tikhon's Orthodox Theological Seminary**Statement of Financial Position  
June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 138,361	\$ 22,231
Accounts receivable	18,903	16,008
Due from affiliate	-	6,029
Total current assets	157,264	44,268
<b>Cash and Cash Equivalents, Designated</b>	249,772	202,437
<b>Asset Held for Sale</b>	-	183,152
<b>Property and Equipment, Net</b>	1,729,154	1,722,135
<b>Certificates of Deposit</b>	512,144	499,065
<b>Investments</b>	1,982,535	1,688,840
<b>Interest in Net Assets of Affiliate</b>	1,863	-
Total assets	<u>\$ 4,632,732</u>	<u>\$ 4,339,897</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 35,636	\$ 121,663
Revolving line of credit	470,657	472,151
Accounts payable	26,120	23,124
	32	367
Student deposits	1,690	4,733
Total current liabilities	534,135	622,038
<b>Long-Term Debt</b>	462,756	499,144
Total liabilities	<u>996,891</u>	<u>1,121,182</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	994,260	664,115
Board designated	288,698	232,014
Total unrestricted	1,282,958	896,129
Temporarily restricted	536,405	514,019
Permanently restricted	1,816,477	1,808,567
Total net assets	<u>3,635,840</u>	<u>3,218,715</u>
Total liabilities and net assets	<u>\$ 4,632,731</u>	<u>\$ 4,339,897</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Activities

Years Ended June 30, 2015 and 2014

	2015	2014
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions	\$ 984,401	\$ 237,123
Bequests	433,579	5,000
Net assets released from restriction	125,000	326,494
Tuition and scholarships less scholarships applied of \$138,222 in 2015 and \$69,683 in 2014	89,608	147,672
Mission choir donations	72,179	31,865
Contributed services	36,000	36,000
Miscellaneous	19,494	34,976
Investment income	51	18
<b>Total support and revenue</b>	<b>1,760,312</b>	<b>819,148</b>
<b>Expenses</b>		
Instructional	533,188	553,310
Administrative	395,937	346,574
Operations	286,557	306,039
Student services	88,244	80,822
Fundraising	56,573	14,147
Library	12,984	10,478
<b>Total expenses</b>	<b>1,373,483</b>	<b>1,311,370</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>386,829</b>	<b>(492,222)</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment income	145,523	326,049
Net assets released from restriction	(125,000)	(125,141)
Change in interest in net assets of affiliate	1,863	-
<b>Increase in temporarily restricted net assets</b>	<b>22,386</b>	<b>200,908</b>
<b>Changes in Permanently Restricted Net Assets</b>		
Net assets released from restriction	-	(201,353)
Change in valuation of asset held for sale	7,910	(115,678)
<b>Increase (decrease) in permanently restricted net assets</b>	<b>7,910</b>	<b>(317,031)</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 417,125</b>	<b>\$ (608,345)</b>

See notes to financial statements

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

Statement of Changes in Net Assets  
Years Ended June 30, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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>	896,129	514,019	1,808,567	3,218,715
<b>Increase in Net Assets</b>	<u>386,829</u>	<u>22,386</u>	<u>7,910</u>	<u>417,125</u>
<b>Net Assets, June 30, 2015</b>	<u>\$ 1,282,958</u>	<u>\$ 536,405</u>	<u>\$ 1,816,477</u>	<u>\$ 3,635,840</u>

See notes to financial statements

**St. Tikhon's Orthodox Theological Seminary****Statement of Cash Flows**

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 417,125	\$ (608,345)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	58,675	62,544
Change in interest in net assets of affiliate	(1,863)	-
Change in valuation of asset held for sale	(7,910)	115,678
Net unrealized gains on investments	133,525	214,343
Changes in assets and liabilities:		
Accounts receivable	(2,895)	272,325
Due from affiliate	6,029	6,822
Accounts payable	2,996	(3,058)
Payroll taxes payable	(335)	33
Student deposits	(3,043)	(2,082)
Net cash provided by operating activities	<u>602,304</u>	<u>58,260</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(3,457,071)	(1,526,099)
Proceeds from sale of investments	3,029,851	869,285
Purchase of property and equipment	(65,694)	(20,299)
Investment in asset held for sale	-	(82,830)
Proceeds from sale of asset held for sale	191,062	-
(Increase) decrease in certificates of deposit	(13,079)	201,812
(Increase) decrease in cash and cash equivalents, designated	<u>(47,335)</u>	<u>16,143</u>
Net cash used in investing activities	<u>(362,266)</u>	<u>(541,988)</u>
<b>Cash Flows from Financing Activities</b>		
Decrease in cash overdraft	-	(3,349)
Net change in revolving line of credit	(1,494)	472,151
Proceeds from long-term debt	-	80,000
Repayment of long-term debt	<u>(122,415)</u>	<u>(42,843)</u>
Net cash (used in) provided by financing activities	<u>(123,909)</u>	<u>505,959</u>
Net change in cash and cash equivalents	116,129	22,231
Cash and Cash Equivalents, Beginning	<u>22,231</u>	<u>-</u>
Cash and Cash Equivalents, Ending	<u>\$ 138,360</u>	<u>\$ 22,231</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 28,309</u>	<u>\$ 27,674</u>

See notes to financial statements

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

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Notes to Financial Statements

June 30, 2015 and 2014

### **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 February 24, 2016 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.

#### **Accounts Receivable**

Accounts receivable are reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible based on management's periodic review of individual accounts.

#### **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, 2015 and 2014

### **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 \$58,675 in 2015 and \$62,544 in 2014.

Property and equipment held for future development is carried at cost. Depreciation will be provided over the period benefited once placed in service.

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 2015 or 2014.

### **Interest in Net Assets of Affiliate**

The Seminary recognizes its interest in the net assets of St. Tikhon's Theological Century Association (the "Association") because the Seminary and the Association are considered financially interrelated organizations.



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

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Notes to Financial Statements  
June 30, 2015 and 2014

The Association was formed to render moral and financial assistance to the Seminary. The Seminary and Association each have an independent board of directors who manage their affairs. Changes in interest in net assets of affiliate are recorded as increases or decreases in net assets. Contributions to the Seminary from the Association were \$33,500 in 2015 and \$37,500 in 2014.

### **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, \$300,840 of scholarships were approved and applied against tuition revenue. Of this amount, \$231,157 in scholarships related to tuition revenues recognized in prior years with outstanding balances and \$69,683 in scholarships related to current year tuition revenues. The Seminary periodically reviews outstanding tuition balances and may apply a portion of endowment funds available for scholarships to those balances.

### **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.

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

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Notes to Financial Statements  
June 30, 2015 and 2014

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, 2015 and 2014, 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.

### **Contributions**

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.

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met.

The Seminary is a beneficiary of the Meshanko Memorial Fund for St. Tikhon's (the "Fund"), a component fund of The Pittsburgh Foundation (the "Foundation"). Once the estate is fully settled, the value of the Fund is estimated to be approximately \$1,000,000.

The Seminary expects approximately 4% of the 36 month value of the Fund to be distributed for scholarship aid for students each year. The Seminary's recommended eligible scholarship candidates are subject to approval by the Foundation on an annual basis. The Foundation can utilize its variance power to redirect the distributions to a not-for-profit organization with a similar mission.

### **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 2015 and 2014.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

### 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 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 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 was effective for the Seminary's fiscal year beginning July 1, 2014 and did not have a significant impact on the Seminary's financial position or results of operations.

### Reclassification

Certain amounts relating to 2014 have been reclassified to conform to the 2015 reporting format.

## 2. Property and Equipment and Accumulated Depreciation

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

	2015	2014
Land	\$ 70,601	\$ 70,601
Buildings and improvements	1,978,968	1,950,082
Furniture	98,575	94,196
Equipment	90,641	76,191
Construction in progress	17,980	-
Vehicle	68,968	68,968
Total	2,325,733	2,260,038
Less accumulated depreciation	1,218,147	1,159,471
Net	1,107,586	1,100,567
Building (held for future development)	621,568	621,568
Property and equipment, net	\$ 1,729,154	\$ 1,722,135

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	2015	2014
Money market	\$ 118,334	\$ 140,492
Corporate bonds	29,856	30,027
Marketable equity securities:		
Energy	-	208,350
Information technology	331,477	225,539
Health care	343,407	134,960
Consumer goods	337,134	108,376
Financial	250,835	-
Industrial	311,825	310,263
Utilities	-	223,634
Materials	122,490	106,655
Other	137,177	200,544
Total	<u>\$ 1,982,535</u>	<u>\$ 1,688,840</u>

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

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 51	\$ 38,506	\$ 38,557	\$ 18	\$ 39,571	\$ 39,589
Realized and unrealized gains (losses) on investments	-	107,017	107,017	-	286,478	286,478
Total investment return (loss)	<u>\$ 51</u>	<u>\$ 145,523</u>	<u>\$ 145,574</u>	<u>\$ 18</u>	<u>\$ 326,049</u>	<u>\$ 326,067</u>

Investment fees totaled \$8,868 in 2015 and \$7,127 in 2014. 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;

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

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.

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:

2015				
	Total	Level 1	Level 2	Level 3
Money market	\$ 118,334	\$ 118,334	\$ -	\$ -
Corporate bonds	29,856	29,856	-	-
Marketable equity securities:				
Energy	-	-	-	-
Information technology	331,477	331,477	-	-
Health care	343,407	343,407	-	-
Consumer goods	337,134	337,134	-	-
Financial	250,835	250,835	-	-
Industrial	311,825	311,825	-	-
Utilities	-	-	-	-
Materials	122,490	122,490	-	-
Other	137,177	137,177	-	-
Total	\$ 1,982,535	\$ 1,982,535	\$ -	\$ -
2014				
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	\$ 1,688,840	\$ 1,688,840	\$ -	\$ -

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 and corporate bonds are measured at fair value based on quoted market prices in active markets for identical assets.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

### 4. Long-Term Debt

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

	<u>2015</u>	<u>2014</u>
Loan payable, with interest at 1.9%. Monthly principal and interest payments of \$446 are due through February 2016, secured by a vehicle.	\$ 3,561	\$ 9,256
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.	245,459	261,224
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	249,372	264,298
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
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 November 2014 when the property was sold.	-	80,000
	498,392	620,807
Less current portion	(35,636)	(121,663)
Total	<u>\$ 462,756</u>	<u>\$ 499,144</u>

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

Scheduled principal repayments for periods subsequent to June 30, 2015 are as follows:

Years ending June 30:	
2016	\$ 35,636
2017	245,733
2018	17,686
2019	18,776
2020	19,934
Thereafter	<u>160,627</u>
Total	<u>\$ 498,392</u>

### 5. Commitments

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, 2015). The line of credit is secured by the business assets of the Seminary and renews annually. Borrowings totaled \$470,657 at June 30, 2015 and \$472,151 at June 30, 2014.

The line of credit agreement requires the Seminary to maintain certain financial ratios. The Seminary was in compliance with these ratios as of 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, 2015 and 2014

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, 2015) 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. Accordingly, determination of any additional liability is not practicable to estimate.

### 7. Temporarily and Permanently Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Restricted for:		
Scholarship	\$ 502,556	\$ 415,932
General endowments	31,986	98,087
Total Endowments	534,542	514,019
Other	1,863	-
Total	<u>\$ 536,405</u>	<u>\$ 514,019</u>



## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

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

Restricted for:		
Scholarships	\$ 1,069,946	\$ 1,069,946
General endowments	746,531	738,621
Total	<u>\$ 1,816,477</u>	<u>\$ 1,808,567</u>

### 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

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

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.

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 534,542	\$ 1,816,477	\$ 2,351,019
Board-designated endowment funds	288,698	-	-	288,698
Total endowment funds	<u>\$ 288,698</u>	<u>\$ 534,542</u>	<u>\$ 1,816,477</u>	<u>\$ 2,639,717</u>

Changes in endowment net assets in 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 232,014	\$ 514,019	\$ 1,808,567	\$ 2,554,600
Investment return:				
Investment income	51	38,506	-	38,557
Net realized and unrealized gains	-	107,017	-	107,017
Total investment return	51	145,523	-	145,574
Change in valuation of asset held for sale	-	-	7,910	7,910
Transfers in	56,633			56,633
Funds released from restriction	-	(125,000)	-	(125,000)
Endowment net assets, June 30, 2015	<u>\$ 288,698</u>	<u>\$ 534,542</u>	<u>\$ 1,816,477</u>	<u>\$ 2,639,717</u>

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2015 and 2014

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 514,019	\$ 1,808,567	\$ 2,322,586
Board-designated endowment funds	232,014	-	-	232,014
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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	\$ 315,293	\$ 313,111	\$ 2,125,598	\$ 2,754,002
Investment return:				
Investment income	18	39,571	-	39,589
Net realized and unrealized gains	-	286,478	-	286,478
Total investment return	<u>18</u>	<u>326,049</u>	<u>-</u>	<u>326,067</u>
Change in valuation of asset held for sale	-	-	(115,678)	(115,678)
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

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### Notes to Financial Statements

June 30, 2015 and 2014

#### 9. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2015 and 2014 are as follows (in thousands):

	<u>2015</u>	<u>2014</u>
General services	\$ 921	\$ 951
General and administrative	439	346
Fundraising	<u>14</u>	<u>14</u>
Total	<u>\$ 1,374</u>	<u>\$ 1,311</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Instructional</b>		
Faculty wages	\$ 272,748	\$ 267,518
Adjunct Faculty	71,671	96,029
Employee benefits	44,726	51,359
Pension	42,880	41,490
Donated services	36,000	36,000
Faculty housing	37,140	30,950
Payroll taxes	27,393	26,438
Faculty travel	630	3,526
	<u>          </u>	<u>          </u>
Total instructional	<u>\$ 533,188</u>	<u>\$ 553,310</u>
<b>Administrative</b>		
Staff wages	\$ 107,225	\$ 76,418
Employee benefits	70,525	50,234
Printing	12,778	41,408
Payroll taxes	39,853	40,847
Office supplies	41,606	40,196
Professional fees	42,068	29,712
Equipment lease	7,332	15,840
Travel	24,979	12,854
Interest	16,949	12,754
Automobile	8,981	8,951
Dues and subscriptions	6,625	5,863
Pension	6,552	5,544
Conferences	9,970	5,453
Bad debt expense	-	500
Staff expenses - other	494	-
	<u>          </u>	<u>          </u>
Total administrative	<u>\$ 395,937</u>	<u>\$ 346,574</u>
<b>Operations</b>		
Utilities	\$ 67,429	\$ 88,403
Insurance	83,442	79,887
Depreciation	58,675	62,544
Repairs and maintenance	38,871	34,350
Interest	28,309	27,674
Taxes	2,630	7,619
Telephone	6,112	3,892
Supplies	1,088	1,670
	<u>          </u>	<u>          </u>
Total operations	<u>\$ 286,556</u>	<u>\$ 306,039</u>

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

Financial Statements and  
Supplementary Information

June 30, 2016 and 2015



Candor. Insight. Results.

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

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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, 2016 and 2015, 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, 2016 and 2015, 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 2016 and 2015 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 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  
October 31, 2016

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

## Statement of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 210,344	\$ 138,361
Tuition and other receivables	60,959	18,903
Total current assets	271,303	157,264
Cash and Cash Equivalents, Designated	264,759	249,772
Property and Equipment, Net	1,731,667	1,729,154
Certificates of Deposit	526,176	512,144
Investments	1,902,187	1,982,535
Interest in Net Assets of Affiliates	5,078	1,863
Total assets	<u>\$ 4,701,170</u>	<u>\$ 4,632,732</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 245,733	\$ 35,636
Revolving line of credit	470,657	470,657
Accounts payable	31,126	26,121
Payroll taxes payable	327	32
Student deposits	6,605	1,690
Total current liabilities	754,448	534,136
Long-Term Debt	219,574	462,756
Total liabilities	<u>974,022</u>	<u>996,892</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	917,884	785,127
Board designated	520,357	497,831
Total unrestricted	1,438,241	1,282,958
Temporarily restricted	472,430	536,405
Permanently restricted	1,816,477	1,816,477
Total net assets	<u>3,727,148</u>	<u>3,635,840</u>
Total liabilities and net assets	<u>\$ 4,701,170</u>	<u>\$ 4,632,732</u>

See notes to financial statements

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

## Statement of Activities

Years Ended June 30, 2016 and 2015

	2016	2015
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions	\$ 785,649	\$ 984,401
Bequests	597,262	433,579
Tuition and scholarships less scholarships applied of \$150,634 in 2016 and \$138,222 in 2015	64,275	89,608
Net assets released from restriction	37,948	125,000
Mission choir donations	41,968	72,179
Contributed services	107,250	36,000
Miscellaneous	52,486	19,494
Investment income	6,705	51
Total support and revenue	1,693,543	1,760,312
<b>Expenses</b>		
Instructional	681,331	573,188
Administrative	463,007	395,937
Operations	246,112	246,557
Student services	107,947	88,244
Fundraising	20,021	56,573
Library	19,842	12,984
Total expenses	1,538,260	1,373,483
Increase in unrestricted net assets	155,283	386,829
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment (loss) income	(82,704)	145,523
Contributions	53,462	-
Net assets released from restriction	(37,948)	(125,000)
Change in interest in net assets of affiliate	3,215	1,863
(Decrease) increase in temporarily restricted net assets	(63,975)	22,386
<b>Changes in Permanently Restricted Net Assets</b>		
Change in valuation of asset held for sale	-	7,910
Increase in permanently restricted net assets	-	7,910
Increase in net assets	\$ 91,308	\$ 417,125

See notes to financial statements

**St. Tikhon's Orthodox Theological Seminary****Statement of Activities**

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions	\$ 785,649	\$ 984,401
Bequests	597,262	433,579
Tuition and scholarships less scholarships applied of \$150,634 in 2016 and \$138,222 in 2015	64,275	89,608
Net assets released from restriction	37,948	125,000
Mission choir donations	41,968	72,179
Contributed services	107,250	36,000
Miscellaneous	52,486	19,494
Investment income	6,705	51
	<u>1,693,543</u>	<u>1,760,312</u>
<b>Expenses</b>		
Instructional	681,331	573,188
Administrative	463,007	395,937
Operations	246,112	246,557
Student services	107,947	88,244
Fundraising	20,021	56,573
Library	19,842	12,984
	<u>1,538,260</u>	<u>1,373,483</u>
Total expenses		
	<u>1,538,260</u>	<u>1,373,483</u>
Increase in unrestricted net assets	<u>155,283</u>	<u>386,829</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment (loss) income	(82,704)	145,523
Contributions	53,462	-
Net assets released from restriction	(37,948)	(125,000)
Change in interest in net assets of affiliate	3,215	1,863
	<u>3,215</u>	<u>1,863</u>
(Decrease) increase in temporarily restricted net assets	<u>(63,975)</u>	<u>22,386</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Change in valuation of asset held for sale	-	7,910
	<u>-</u>	<u>7,910</u>
Increase in permanently restricted net assets	<u>-</u>	<u>7,910</u>
Increase in net assets	<u>\$ 91,308</u>	<u>\$ 417,125</u>

See notes to financial statements

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

## Statement of Changes in Net Assets

Years Ended June 30, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2014</b>	\$ 896,129	\$ 514,019	\$ 1,808,567	\$ 3,218,715
Increase in net assets	<u>386,829</u>	<u>22,386</u>	<u>7,910</u>	<u>417,125</u>
<b>Net Assets, June 30, 2015</b>	1,282,958	536,405	1,816,477	3,635,840
Increase (decrease) in net assets	<u>155,283</u>	<u>(63,975)</u>	<u>-</u>	<u>91,308</u>
<b>Net Assets, June 30, 2016</b>	<u>\$ 1,438,241</u>	<u>\$ 472,430</u>	<u>\$ 1,816,477</u>	<u>\$ 3,727,148</u>

*See notes to financial statements*

## St. Tikhon's Orthodox Theological Seminary

### Statement of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 91,308	\$ 417,125
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	59,946	58,675
Change in interest in net assets of affiliate	(3,215)	(1,863)
Change in valuation of asset held for sale	-	(7,910)
Net unrealized losses (gains) on investments	202,164	(133,525)
Changes in assets and liabilities:		
Tuition and other receivables	(42,056)	(2,895)
Due from affiliate	-	6,029
Accounts payable	5,005	2,996
Payroll taxes payable	295	(335)
Student deposits	4,915	(3,043)
Net cash provided by operating activities	318,362	335,254
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(3,178,508)	(3,457,071)
Proceeds from sale of investments	3,056,692	3,296,902
Purchase of property and equipment	(62,459)	(65,694)
Proceeds from sale of asset held for sale	-	191,062
Increase in certificates of deposit	(14,032)	(13,079)
Increase in cash and cash equivalents, designated	(14,987)	(47,335)
Net cash used in investing activities	(213,294)	(95,215)
<b>Cash Flows from Financing Activities</b>		
Net change in revolving line of credit	-	(1,494)
Repayment of long-term debt	(33,085)	(122,415)
Net cash used in financing activities	(33,085)	(123,909)
Net change in cash and cash equivalents	71,983	116,130
<b>Cash and Cash Equivalents, Beginning</b>	138,361	22,231
<b>Cash and Cash Equivalents, Ending</b>	\$ 210,344	\$ 138,361
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	\$ 26,780	\$ 28,309

See notes to financial statements

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

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Notes to Financial Statements  
June 30, 2016 and 2015

### **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, 2016 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 and Other Receivables**

Tuition and other receivables are reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible based on management's periodic review of individual accounts.

#### **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, 2016 and 2015

### **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, Net**

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 \$59,946 in 2016 and \$58,675 in 2015.

Property and equipment held for future development is carried at cost. Depreciation will be provided over the period benefited once placed in service.

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 2016 or 2015.



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

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Notes to Financial Statements  
June 30, 2016 and 2015

### **Interest in Net Assets of Affiliates**

The Seminary recognizes its interest in the net assets of St. Tikhon's Theological Century Association (the "Association") because the Seminary and the Association are considered financially interrelated organizations.

The Association was formed to render moral and financial assistance to the Seminary. The Seminary and Association each have an independent board of directors who manage their affairs. Changes in interest in net assets of affiliates are recorded as increases or decreases in net assets. Contributions to the Seminary from the Association were \$21,000 in 2016 and \$33,500 in 2015.

### **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 2016, \$70,283 of scholarships were approved and applied against tuition revenue. Of this amount, \$49,188 in scholarships related to tuition revenues recognized in prior years with outstanding balances and \$21,095 in scholarships related to current year tuition revenues. In 2015, \$94,172 of scholarships were approved and applied against tuition revenue. Of this amount, \$50,097 in scholarships related to tuition revenues recognized in prior years with outstanding balances and \$44,075 in scholarships related to current year tuition revenues.

### **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, 2016 and 2015, the Seminary recorded contributions in the amount of \$107,250 and \$36,000, 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.

## St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements  
June 30, 2016 and 2015

### Contributions

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.

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met.

The Seminary is a beneficiary of the Meshanko Memorial Fund for St. Tikhon's (the "Fund"), a component fund of The Pittsburgh Foundation (the "Foundation"). Once the estate is fully settled, the value of the Fund is estimated to be approximately \$1,000,000.

The Seminary expects approximately 4% of the 36 month value of the Fund to be distributed for scholarship aid for students each year. The Seminary's recommended eligible scholarship candidates are subject to approval by the Foundation on an annual basis. The Foundation can utilize its variance power to redirect the distributions to a not-for-profit organization with a similar mission. In 2016, the Foundation approved \$30,018 of scholarship for Seminary students, this amount is recorded in tuition and other receivables at June 30, 2016.

### 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 2016 and 2015.

### New Accounting Standards

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019. Early application is permitted for all entities. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Seminary is assessing the impact this standard will have on its financial statements.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Seminary is assessing the impact this standard will have on its financial statements.

### Reclassification

Certain amounts relating to 2015 have been reclassified to conform to the 2016 reporting format.

## 2. Property and Equipment, Net

Property and equipment, net is as follows at June 30:

	2016	2015
Land	\$ 70,601	\$ 70,601
Buildings and improvements	2,022,776	1,978,968
Furniture	98,575	98,575
Equipment	49,913	90,641
Construction in progress	26,780	17,980
Vehicle	68,968	68,968
Total	2,337,613	2,325,733
Less accumulated depreciation	1,227,514	1,218,147
Net	1,110,099	1,107,586
Building (held for future development)	621,568	621,568
Property and equipment, net	\$ 1,731,667	\$ 1,729,154

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	2016	2015
Money market	\$ 20,489	\$ 118,334
Corporate bonds	54,423	29,856
Marketable equity securities:		
Consumer goods	627,932	337,134
Information technology	363,456	331,477
Financial	338,541	250,835
Health care	243,040	343,407
Telecommunications	98,618	-
Other	95,013	137,177
Materials	60,675	122,490
Industrial	-	311,825
<b>Total</b>	<b>\$ 1,902,187</b>	<b>\$ 1,982,535</b>

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

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 6,705	\$ 32,122	\$ 38,827	\$ 51	\$ 38,506	\$ 38,557
Realized and unrealized gains (losses) on investments		(114,826)	(114,826)	-	107,017	107,017
<b>Total investment return (loss)</b>	<b>\$ 6,705</b>	<b>\$ (82,704)</b>	<b>\$ (75,999)</b>	<b>\$ 51</b>	<b>\$ 145,523</b>	<b>\$ 145,574</b>

Investment fees totaled \$9,472 in 2016 and \$8,868 in 2015. 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;

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

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.

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:

	2016	
	Total	Level 1
Money market	\$ 20,489	\$ 20,489
Corporate bonds	54,423	54,423
Marketable equity securities:		
Consumer goods	627,932	627,932
Information technology	363,456	363,456
Financial	338,541	338,541
Health care	243,040	243,040
Telecommunications	98,618	98,618
Other	95,013	95,013
Materials	60,675	60,675
Total	\$ 1,902,187	\$ 1,902,187

  

	2015	
	Total	Level 1
Money market	\$ 118,334	\$ 118,334
Corporate bonds	29,856	29,856
Marketable equity securities:		
Health care	343,407	343,407
Consumer goods	337,134	337,134
Information technology	331,477	331,477
Industrial	311,825	311,825
Financial	250,835	250,835
Other	137,177	137,177
Materials	122,490	122,490
Total	\$ 1,982,535	\$ 1,982,535

The School did not have any financial instruments whose fair values were measured using Level 2 or 3 inputs at June 30, 2016 and 2015.

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 and corporate bonds are measured at fair value based on quoted market prices in active markets for identical assets.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

### 4. Long-Term Debt

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

	<u>2016</u>	<u>2015</u>
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.	\$ 229,075	\$ 245,459
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	236,232	249,372
Loan repaid in 2016.	-	3,561
Total	465,307	498,392
Less current portion	245,733	35,636
Long-term debt	<u>\$ 219,574</u>	<u>\$ 462,756</u>

Scheduled principal repayments of long-term debt as of June 30, 2016 are as follows:

Years ending June 30:	
2017	\$ 245,733
2018	17,686
2019	18,776
2020	19,934
2021	21,164
Thereafter	142,014
Total	<u>\$ 465,307</u>

### 5. Revolving Line of Credit

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% (3.5% at June 30, 2016). The line of credit is secured by the business assets of the Seminary and renews annually. Borrowings totaled \$470,657 at June 30, 2016 and 2015.

The line of credit agreement requires the Seminary to maintain certain financial ratios. The Seminary was in compliance with these ratios as of June 30, 2016.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

### 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.

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, 2015, 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, 2016) 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. Accordingly, determination of any additional liability is not practicable to estimate.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

### 7. Temporarily and Permanently Restricted Net Assets

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

	2016	2015
Restricted for:		
Scholarship	\$ 450,495	\$ 502,556
General endowments	16,857	31,986
Total Endowments	467,352	534,542
Interest in Net Assets of Affiliate	5,078	1,863
Total	\$ 472,430	\$ 536,405

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

	2016	2015
Restricted for:		
Scholarships	\$ 1,069,946	\$ 1,069,946
General endowments	746,531	746,531
Total	\$ 1,816,477	\$ 1,816,477

### 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.



## St. Tikhon's Orthodox Theological Seminary

### Notes to Financial Statements

June 30, 2016 and 2015

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.

Endowment net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 467,352	\$ 1,816,477	\$ 2,283,829
Board-designated endowment funds	<u>520,357</u>	<u>-</u>	<u>-</u>	<u>520,357</u>
Total endowment funds	<u>\$ 520,357</u>	<u>\$ 467,352</u>	<u>\$ 1,816,477</u>	<u>\$ 2,804,186</u>

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

Changes in endowment net assets in 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	\$ 497,831	\$ 534,542	\$ 1,816,477	\$ 2,848,850
Investment return:				
Investment income	6,705	32,122	-	38,827
Net realized and unrealized gains	-	(114,826)	-	(114,826)
Total investment return	6,705	(82,704)	-	(75,999)
Transfers in/Contributions	15,821	53,462	-	69,283
Funds released from restriction	-	(37,948)	-	(37,948)
Endowment net assets, June 30, 2016	\$ 520,357	\$ 467,352	\$ 1,816,477	\$ 2,804,186

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 534,542	\$ 1,816,477	\$ 2,351,019
Board-designated endowment funds	497,831	-	-	497,831
Total endowment funds	\$ 497,831	\$ 534,542	\$ 1,816,477	\$ 2,848,850

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2016 and 2015

Changes in endowment net assets in 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ 232,014	\$ 514,019	\$ 1,808,567	\$ 2,554,600
Investment return:				
Investment income	51	38,506	-	38,557
Net realized and unrealized gains	-	107,017	-	107,017
Total investment return	51	145,523	-	145,574
Change in valuation of asset held for sale	-	-	7,910	7,910
Transfers in	265,766			265,766
Funds released from restriction	-	(125,000)	-	(125,000)
Endowment net assets, June 30, 2015	\$ 497,831	\$ 534,542	\$ 1,816,477	\$ 2,848,850

### 9. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2016 and 2015 are as follows (in thousands):

	2016	2015
General services	\$ 1,055	\$ 920
General and administrative	463	396
Fundraising	20	57
Total	\$ 1,538	\$ 1,373

### 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, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Instructional</b>		
Faculty wages	\$ 284,748	\$ 272,748
Donated services	107,250	36,000
Employee benefits	91,343	84,726
Adjunct Faculty	79,500	71,671
Pension	42,744	42,880
Faculty housing	37,140	37,140
Payroll taxes	31,708	27,393
Faculty travel	6,898	630
Total instructional	<u>\$ 681,331</u>	<u>\$ 573,188</u>
<b>Administrative</b>		
Staff wages	\$ 139,034	\$ 107,225
Employee benefits	83,565	70,525
Professional fees	57,938	42,068
Payroll taxes	49,533	39,853
Office supplies	32,205	41,606
Interest	17,036	16,949
Printing	18,479	12,778
Travel	14,369	24,979
Pension	13,747	6,552
Automobile	10,263	8,981
Equipment lease	6,721	7,332
Conferences	6,147	9,970
Dues and subscriptions	948	6,625
Staff expenses - other	-	494
Bad debt expense	13,022	-
Total administrative	<u>\$ 463,007</u>	<u>\$ 395,937</u>
<b>Operations</b>		
Depreciation	\$ 59,946	\$ 58,675
Repairs and maintenance	44,453	38,871
Utilities	42,693	67,429
Insurance	44,636	43,442
Interest	26,780	28,309
Taxes	15,685	2,630
Telephone	6,044	6,112
Trash Removal	3,299	-
Supplies	2,576	1,089
Total operations	<u>\$ 246,112</u>	<u>\$ 246,557</u>

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

Financial Statements and  
Supplementary Information

June 30, 2017 and 2016



Candor. Insight. Results.

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

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June 30, 2017 and 2016

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## **Independent Auditors' Report**

Board of Trustees  
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, 2017 and 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017 and 2016, 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 schedule of instructional, administrative, and operations expenses 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 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of St. Tikhon's Orthodox Theological Seminary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Tikhon's Orthodox Theological Seminary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the St. Tikhon's Orthodox Theological Seminary's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Wilkes-Barre, Pennsylvania  
December 11, 2017



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

## Statement of Financial Position

June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 50,930	\$ 210,344
Tuition and other receivables	28,458	60,959
Total current assets	79,388	271,303
<b>Cash and Cash Equivalents, Designated</b>	215,654	264,759
<b>Property and Equipment, Net</b>	1,706,268	1,731,667
<b>Certificates of Deposit</b>	540,357	526,176
<b>Investments</b>	2,521,936	1,902,187
<b>Interest in Net Assets of Affiliates</b>	2,441	5,078
Total assets	<u>\$ 5,066,044</u>	<u>\$ 4,701,170</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 36,599	\$ 245,733
Revolving line of credit	470,581	470,657
Accounts payable	10,952	31,126
Payroll taxes payable	-	327
Student deposits	16,406	6,605
Total current liabilities	534,538	754,448
<b>Long-Term Debt</b>	396,824	219,574
Total liabilities	<u>931,362</u>	<u>974,022</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	854,294	917,884
Board designated	557,769	520,357
Total unrestricted	1,412,063	1,438,241
Temporarily restricted	1,015,926	472,430
Permanently restricted	1,706,693	1,816,477
Total net assets	<u>4,134,682</u>	<u>3,727,148</u>
Total liabilities and net assets	<u>\$ 5,066,044</u>	<u>\$ 4,701,170</u>

See notes to financial statements

## St. Tikhon's Orthodox Theological Seminary

### Statement of Activities

Years Ended June 30, 2017 and 2016

	2017	2016
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions	\$ 649,278	\$ 785,649
Bequests	293,839	597,262
Tuition and scholarships less scholarships applied of \$154,383 in 2017 and \$150,634 in 2016	78,620	64,275
Net assets released from restriction	224,533	37,948
Mission choir donations	52,774	41,968
Contributed services	107,250	107,250
Miscellaneous	59,945	52,486
Investment income	67,263	6,705
Reclassification of net assets	111,062	-
Total support and revenue	1,644,564	1,693,543
<b>Expenses</b>		
Instructional	709,198	689,173
Administrative	499,711	470,850
Operations	243,489	230,427
Student services	169,045	107,947
Fundraising	8,333	20,021
Library	40,966	19,842
Total expenses	1,670,742	1,538,260
(Decrease) increase in unrestricted net assets	(26,178)	155,283
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment income (loss)	435,282	(82,704)
Contributions	335,384	53,462
Net assets released from restriction	(224,533)	(37,948)
Change in interest in net assets of affiliate	(2,637)	3,215
Increase (decrease) in temporarily restricted net assets	543,496	(63,975)
<b>Changes in Permanently Restricted Net Assets</b>		
Contributions	1,278	-
Reclassification of net assets	(111,062)	-
Decrease in permanently restricted net assets	(109,784)	-
Increase in net assets	\$ 407,534	\$ 91,308

See notes to financial statements

**St. Tikhon's Orthodox Theological Seminary**Statement of Changes in Net Assets  
Years Ended June 30, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2015</b>	\$ 1,282,958	\$ 536,405	\$ 1,816,477	\$ 3,635,840
Increase (decrease) in net assets	<u>155,283</u>	<u>(63,975)</u>	<u>-</u>	<u>91,308</u>
<b>Net Assets, June 30, 2016</b>	1,438,241	472,430	1,816,477	3,727,148
(Decrease) increase in net assets	<u>(26,178)</u>	<u>543,496</u>	<u>(109,784)</u>	<u>407,534</u>
<b>Net Assets, June 30, 2017</b>	<u>\$ 1,412,063</u>	<u>\$ 1,015,926</u>	<u>\$ 1,706,693</u>	<u>\$ 4,134,682</u>

*See notes to financial statements*

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

## Statement of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 407,534	\$ 91,308
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	48,254	59,946
Change in interest in net assets of affiliate	2,637	(3,215)
Net unrealized (gains) losses on investments	(256,273)	202,164
Restricted contributions	(336,662)	(53,462)
Changes in assets and liabilities:		
Tuition and other receivables	32,501	(42,056)
Accounts payable	(20,174)	5,005
Payroll taxes payable	(327)	295
Student deposits	9,801	4,915
Net cash (used in) provided by operating activities	<u>(112,709)</u>	<u>264,900</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(2,875,927)	(3,094,979)
Proceeds from sale of investments	2,849,113	3,026,625
Purchase of property and equipment	(22,855)	(62,459)
Increase in certificates of deposit	(14,181)	(14,032)
Decrease (increase) in cash and cash equivalents, designated	<u>49,105</u>	<u>(14,987)</u>
Net cash used in investing activities	<u>(14,745)</u>	<u>(159,832)</u>
<b>Cash Flows from Financing Activities</b>		
Net change in revolving line of credit	(76)	-
Repayment of long-term debt	<u>(31,884)</u>	<u>(33,085)</u>
Net cash used in financing activities	<u>(31,960)</u>	<u>(33,085)</u>
Net change in cash and cash equivalents	(159,414)	71,983
<b>Cash and Cash Equivalents, Beginning</b>	<u>210,344</u>	<u>138,361</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 50,930</u>	<u>\$ 210,344</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 21,708</u>	<u>\$ 57,376</u>

See notes to financial statements

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

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Notes to Financial Statements  
June 30, 2017 and 2016

## **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 December 11, 2017, 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 and Other Receivables**

Tuition and other receivables are reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible based on management's periodic review of individual accounts.

### **Certificates of Deposit**

Certificates of deposit are recorded at cost which approximates fair value.

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

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Notes to Financial Statements  
June 30, 2017 and 2016

### **Investments and Investment Risk**

Investments are carried at fair value.

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, Net**

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.

Property and equipment held for future development is carried at cost. Depreciation will be provided over the period benefited once placed in service.

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 2017 or 2016.

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

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Notes to Financial Statements  
June 30, 2017 and 2016

### **Interest in Net Assets of Affiliates**

The Seminary recognizes its interest in the net assets of St. Tikhon's Theological Century Association (the "Association") because the Seminary and the Association are considered financially interrelated organizations.

The Association was formed to render moral and financial assistance to the Seminary. The Seminary and Association each have an independent board of trustees who manage their affairs. Changes in interest in net assets of affiliates are recorded as increases or decreases in net assets. Contributions to the Seminary from the Association were \$34,050 in 2017 and \$21,000 in 2016.

### **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. Scholarships of \$154,383 in 2017 and \$150,634 in 2016 were approved and applied against tuition revenue.

### **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

### **Contributed Services**

For the years ended June 30, 2017 and 2016, the Seminary recorded contributions in the amount of \$107,250, 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, 2017 and 2016

### Contributions

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.

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met.

The Seminary has been named a beneficiary of the Meshanko Memorial Fund for St. Tikhon's (the "Fund"), a component fund of The Pittsburgh Foundation (the "Foundation"). Once the Meshanko estate is fully settled, the value of the Fund is estimated to be approximately \$1,000,000. The Seminary has not yet recognized this amount as the estate has not been probated. The Seminary expects approximately 4% of the 36 month value of the Fund to be distributed for scholarship aid for students each year. The Seminary's recommended eligible scholarship candidates are subject to approval by the Foundation on an annual basis. The Foundation can utilize its variance power to redirect the distributions to a not-for-profit organization with a similar mission.

### 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 2017 and 2016.

### New Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective for the Seminary for fiscal 2019. Early application is permitted. The Seminary is assessing the impact this standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Seminary in fiscal 2019, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Seminary is assessing the impact this standard will have on its financial statements.



## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2017 and 2016

### 2. Property and Equipment, Net

Property and equipment, net is as follows at June 30:

	2017	2016
Land	\$ 70,601	\$ 70,601
Buildings and improvements	2,045,630	2,022,776
Furniture	98,575	98,575
Equipment	49,913	49,913
Construction in progress	26,780	26,780
Vehicle	68,968	68,968
Total	2,360,467	2,337,613
Less accumulated depreciation	1,275,767	1,227,514
Net	1,084,700	1,110,099
Building (held for future development)	621,568	621,568
Property and equipment, net	\$ 1,706,268	\$ 1,731,667

The Seminary owns a building that is being developed to serve as a residency for students. The building's development is not yet completed and the structure is not occupied as of June 30, 2017. The Seminary expects to complete this building in fiscal 2018. The building is not yet being depreciated.

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	2017	2016
Money market	\$ 229,360	\$ 20,489
Corporate bonds	30,081	54,423
Marketable equity securities	2,262,495	1,827,275
Total	\$ 2,521,936	\$ 1,902,187

## St. Tikhon's Orthodox Theological Seminary

### Notes to Financial Statements June 30, 2017 and 2016

Investment return is comprised of the following for the years ended June 30:

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 9,033	\$ 45,589	\$ 54,622	\$ 6,705	\$ 32,122	\$ 38,827
Realized and unrealized gains (losses) on investments	58,230	389,693	447,923	-	(114,826)	(114,826)
Total investment return (loss)	\$ 67,263	\$ 435,282	\$ 502,545	\$ 6,705	\$ (82,704)	\$ (75,999)

Investment fees totaled \$10,863 in 2017 and \$9,472 in 2016. 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.

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:

	2017		
	Total	Level 1	Level 2
Money market	\$ 229,360	\$ 229,360	\$ -
Corporate bonds	30,081	-	30,081
Marketable equity securities	2,262,495	2,262,495	-
Total investments	\$ 2,521,936	\$ 2,491,855	\$ 30,081
Certificates of deposit	\$ 540,357	\$ -	\$ 540,357

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2017 and 2016

	2016		
	Total	Level 1	Level 2
Money market	\$ 20,489	\$ 20,489	\$ -
Corporate bonds	54,423	-	54,423
Marketable equity securities	1,827,275	1,827,275	-
Total investments	\$ 1,902,187	\$ 1,847,764	\$ 54,423
Certificates of deposit	\$ 526,176	\$ -	\$ 526,176

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

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 based on quoted market prices in active markets for identical assets. Corporate bonds and certificates of deposit are measured using prices for similar assets.

#### 4. Long-Term Debt

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

	2017	2016
Loan payable, with interest at 4%. Monthly principal and interest payments of \$2,261 are due through December 2021, secured by the Philadelphia Trust investment account valued at 125% or more of the loan value for the duration of the loan.	\$ 211,003	\$ 229,075
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	222,420	236,232
Total	433,423	465,307
Less current portion	36,599	245,733
Long-term debt	\$ 396,824	\$ 219,574

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2017 and 2016

Scheduled principal repayments of long-term debt as of June 30, 2017 are as follows:

Years ending June 30:	
2018	\$ 36,599
2019	38,460
2020	40,402
2021	42,484
2022	153,086
Thereafter	<u>122,392</u>
Total	<u>\$ 433,423</u>

### 5. Revolving Line of Credit

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% (4.25% at June 30, 2017). The line of credit is secured by the business assets of the Seminary and renews annually. Borrowings totaled \$470,581 and \$470,657 at June 30, 2017 and 2016, respectively.

The line of credit agreement requires the Seminary to maintain certain financial ratios. The Seminary was in compliance with these ratios as of June 30, 2017.

### 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.

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 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.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2017 and 2016

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 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, 2016) 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. Accordingly, determination of any additional liability is not practicable to estimate.

### 7. Temporarily and Permanently Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Restricted for:		
Scholarship	\$ 622,067	\$ 450,495
General endowments	391,418	16,857
Total endowments	1,013,485	467,352
Interest in net assets of Affiliate	2,441	5,078
Total	<u>\$ 1,015,926</u>	<u>\$ 472,430</u>

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

	<u>2017</u>	<u>2016</u>
Restricted for:		
Scholarships	\$ 1,071,224	\$ 1,069,946
General endowments	635,469	746,531
Total	<u>\$ 1,706,693</u>	<u>\$ 1,816,477</u>

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

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Notes to Financial Statements  
June 30, 2017 and 2016

### **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.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2017 and 2016

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,013,485	\$ 1,706,693	\$ 2,720,178
Board-designated endowment funds	557,769	-	-	557,769
Total endowment funds	<u>\$ 557,769</u>	<u>\$ 1,013,485</u>	<u>\$ 1,706,693</u>	<u>\$ 3,277,947</u>

Changes in endowment net assets in 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	<u>\$ 520,357</u>	<u>\$ 467,352</u>	<u>\$ 1,816,477</u>	<u>\$ 2,804,186</u>
Investment return:				
Investment income	6,253	45,589	-	51,842
Net realized and unrealized gains	<u>58,230</u>	<u>389,693</u>	<u>-</u>	<u>447,923</u>
Total investment return	<u>64,483</u>	<u>435,282</u>	<u>-</u>	<u>499,765</u>
Reclassification of net assets	-	-	(111,062)	(111,062)
Transfers/contributions	(27,071)	335,384	1,278	309,591
Funds released from restriction	<u>-</u>	<u>(224,533)</u>	<u>-</u>	<u>(224,533)</u>
Endowment net assets, June 30, 2017	<u>\$ 557,769</u>	<u>\$ 1,013,485</u>	<u>\$ 1,706,693</u>	<u>\$ 3,277,947</u>

In 2017, \$111,062 was reclassified based upon a donor's intention that was met.

## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2017 and 2016

Endowment net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 467,352	\$ 1,816,477	\$ 2,283,829
Board-designated endowment funds	<u>520,357</u>	<u>-</u>	<u>-</u>	<u>520,357</u>
Total endowment funds	<u>\$ 520,357</u>	<u>\$ 467,352</u>	<u>\$ 1,816,477</u>	<u>\$ 2,804,186</u>

Changes in endowment net assets in 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	<u>\$ 497,831</u>	<u>\$ 534,542</u>	<u>\$ 1,816,477</u>	<u>\$ 2,848,850</u>
Investment return:				
Investment income	6,705	32,122	-	38,827
Net realized and unrealized gains	<u>-</u>	<u>(114,826)</u>	<u>-</u>	<u>(114,826)</u>
Total investment return	<u>6,705</u>	<u>(82,704)</u>	<u>-</u>	<u>(75,999)</u>
Transfers in/Contributions	15,821	53,462	-	69,283
Funds released from restriction	<u>-</u>	<u>(37,948)</u>	<u>-</u>	<u>(37,948)</u>
Endowment net assets, June 30, 2016	<u>\$ 520,357</u>	<u>\$ 467,352</u>	<u>\$ 1,816,477</u>	<u>\$ 2,804,186</u>



## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2017 and 2016

### 9. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2017 and 2016 are as follows (in thousands):

	2017	2016
General services	\$ 1,233	\$ 1,055
General and administrative	430	463
Fundraising	8	20
Total	\$ 1,671	\$ 1,538

### 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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Instructional</b>		
Faculty wages	\$ 264,150	\$ 284,748
Employee benefits	142,568	91,343
Donated services	107,250	107,250
Adjunct faculty	69,150	79,500
Pension	48,720	42,744
Faculty housing	37,140	37,140
Payroll taxes	28,776	39,550
Faculty travel	11,444	6,898
Total instructional	<u>\$ 709,198</u>	<u>\$ 689,173</u>
<b>Administrative</b>		
Staff wages	\$ 199,160	\$ 139,034
Employee benefits	107,551	83,565
Professional fees	43,160	57,938
Office supplies	29,069	32,205
Printing	27,033	18,479
Payroll taxes	21,708	57,376
Interest	20,725	17,036
Pension	17,159	13,747
Automobile	9,853	10,263
Travel	9,173	14,369
Equipment lease	7,211	6,721
Conferences	6,334	6,147
Investment expense	1,500	-
Dues and subscriptions	75	948
Bad debt expense	-	13,022
Total administrative	<u>\$ 499,711</u>	<u>\$ 470,850</u>
<b>Operations</b>		
Repairs and maintenance	\$ 52,747	\$ 44,453
Insurance	51,803	44,636
Utilities	48,502	42,693
Depreciation	48,254	59,946
Interest	21,125	26,780
Trash removal	9,704	3,299
Telephone	8,058	6,044
Supplies	3,296	2,576
Total operations	<u>\$ 243,489</u>	<u>\$ 230,427</u>

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Board of Trustees  
St. Tikhon's Orthodox Theological Seminary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Tikhon's Orthodox Theological Seminary (the "Seminary"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Seminary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Seminary's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Seminary's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Wilkes-Barre, Pennsylvania  
December 11, 2017

# **9. ST VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY FINANCIAL STATEMENTS**

- A. Financial Statements and Auditors' Report Year Ended June 30, 2015
- B. Financial Statements and Auditors' Report Year Ended June 30, 2016
- C. Financial Statements and Auditors' Report Year Ended June 30, 2017

**ST. VLADIMIR'S  
ORTHODOX THEOLOGICAL SEMINARY  
FINANCIAL STATEMENTS  
JUNE 30, 2015**

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

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**JUNE 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
St. Vladimir's Orthodox Theological Seminary  
Yonkers, New York

**Report on Financial Statements**

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, 2015, 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, 2015, 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 2014 financial statements, and our report dated October 15, 2014, 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, 2014, 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, 2015

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2015**

**With Summarized Comparative Financial Information as of June 30, 2014**

	2015	2014
<b>ASSETS</b>		
Cash	\$ 4,355	\$ 381,316
Accounts receivable, net of allowance for doubtful accounts of \$104,750 in 2015 and \$126,816 in 2014	233,240	234,103
Pledges receivable, net	232,435	331,949
Prepaid expenses	19,837	52,401
Inventory	802,418	808,307
Investments	13,485,587	13,756,054
Cash surrender value of life insurance	166,198	161,859
Property and equipment, net of accumulated depreciation of \$11,164,260 in 2015 and \$10,581,216 in 2014	12,821,853	13,374,119
Total assets	<u>\$ 27,765,923</u>	<u>\$ 29,100,108</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 439,950	\$ 406,738
Deferred revenue	23,913	15,456
Mortgages and loans payable	2,858,476	2,924,417
Annuity and life trust payable	133,135	138,120
Total liabilities	<u>3,455,474</u>	<u>3,484,731</u>
Net assets:		
Unrestricted:		
Net investment in land, building and equipment	9,963,377	10,954,808
Board designated long-term investments	1,032,548	1,080,560
Undesignated	220,895	220,540
Total unrestricted	11,216,820	12,255,908
Temporarily restricted	3,112,578	3,431,472
Permanently restricted	9,981,051	9,927,997
Total net assets	<u>24,310,449</u>	<u>25,615,377</u>
Total liabilities and net assets	<u>\$ 27,765,923</u>	<u>\$ 29,100,108</u>

See notes to financial statements.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2014**

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
<b>Revenue and reclassifications</b>					
Tuition and fees	\$ 628,391	\$ -	\$ -	\$ 628,391	\$ 605,784
Less scholarships and financial aid	(354,919)	-	-	(354,919)	(296,769)
Net tuition and fees	273,472	-	-	273,472	309,015
Gifts and grants	874,474	788,143	53,054	1,715,671	3,212,153
Endowment and investment income	(34,418)	186,053	-	151,635	1,920,365
Subscription income	17,455	-	-	17,455	16,274
Special events income	12,991	-	-	12,991	250,020
Auxiliary enterprises	1,423,117	-	-	1,423,117	1,499,602
Other income	11,948	-	-	11,948	17,123
Total revenue before net assets released from restriction	2,579,039	974,196	53,054	3,606,289	7,224,552
Reclassifications:					
Satisfaction of program restrictions	1,293,090	(1,293,090)	-	-	-
Total revenue and reclassifications	3,872,129	(318,894)	53,054	3,606,289	7,224,552
<b>Expenses</b>					
Instruction	803,458	-	-	803,458	850,251
Public service	48,173	-	-	48,173	57,896
Library	157,061	-	-	157,061	193,351
Student services	54,068	-	-	54,068	105,717
Theological research publications	13,524	-	-	13,524	19,880
Operation and maintenance of plant	682,487	-	-	682,487	725,664
General institutional expense	1,665,242	-	-	1,665,242	1,908,505
Interest expense	86,378	-	-	86,378	70,596
Auxiliary enterprises	817,781	-	-	817,781	956,903
Total expenses	4,328,172	-	-	4,328,172	4,888,763
Change in net assets before depreciation	(456,043)	(318,894)	53,054	(721,883)	2,335,789
Depreciation	(583,045)	-	-	(583,045)	(589,995)
Change in net assets	(1,039,088)	(318,894)	53,054	(1,304,928)	1,745,794
Net assets, beginning of year	12,255,908	3,431,472	9,927,997	25,615,377	23,869,583
Net assets, end of year	<u>\$11,216,820</u>	<u>\$ 3,112,578</u>	<u>\$ 9,981,051</u>	<u>\$24,310,449</u>	<u>\$ 25,615,377</u>

See notes to financial statements.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2015**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2014**

	2015	2014
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,304,928)	\$ 1,745,794
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	583,045	589,995
Realized (gain) on investments	(83,808)	(516,397)
Unrealized (gain) on investments	299,548	(1,231,570)
Bad debt expense, student services	7,456	30,621
Bad debt expense, bookstore	7,197	-
Bad debt expense, advancement	121,058	87,749
Discount on pledges receivable	(8,800)	3,800
(Increase) decrease in operating assets:		
Accounts receivable	(13,790)	(7,811)
Pledges receivable	(12,744)	(165,295)
Prepaid expenses	32,564	(3,324)
Inventory	5,889	23,149
Cash surrender value of life insurance	(4,339)	(4,557)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	33,212	43,830
Deferred revenue	8,457	(12,907)
Annuity and life trust payable	(4,985)	(16,484)
Net cash provided by (used in) operating activities	<u>(334,968)</u>	<u>566,593</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	4,999,788	13,132,590
Purchase of investments	(4,945,061)	(13,178,060)
Purchase of property and equipment	<u>(30,779)</u>	<u>(53,171)</u>
Net cash provided by (used in) investing activities	<u>23,948</u>	<u>(98,641)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from debt	2,785,098	-
Repayment of principal debt	<u>(2,851,039)</u>	<u>(122,186)</u>
Net cash (used in) financing activities	<u>(65,941)</u>	<u>(122,186)</u>
Net increase (decrease) in cash	<u>(376,961)</u>	<u>345,766</u>
Cash, beginning of year	<u>381,316</u>	<u>35,550</u>
Cash, end of year	<u><u>\$ 4,355</u></u>	<u><u>\$ 381,316</u></u>
<b>Supplementary information:</b>		
Total interest paid	\$ 88,387	\$ 70,881

See notes to financial statements.

# **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

### **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, 2015**

**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	\$ 107,294	\$ 19,522	\$ 126,816
Direct charge-offs/recoveries	(36,719)	-	(36,719)
Provision for bad debts	7,456	7,197	14,653
	<u>\$ 78,031</u>	<u>\$ 26,719</u>	<u>\$ 104,750</u>

# **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

### **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, 2015**

**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, 2015**

**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.

**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

## **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Property and equipment (continued)**

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 2015.

##### **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.

##### **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 2.0% to 9.0%. 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, 2015, 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, 2014, from which the summarized information was derived.

# **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **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 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.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**2. CONCENTRATIONS (continued):**

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.

**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	\$ 178,435
Due in one to five years	124,000
	<u>302,435</u>
Less: Allowance for uncollectable pledges	(60,000)
Less: Unamortized discount	(10,000)
	<u><u>\$ 232,435</u></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	(91,058)
Provision for uncollectible pledges	121,058
Allowance for uncollectible pledges	<u><u>\$ 60,000</u></u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**4. INVESTMENTS:**

The cost and fair values of investments as of June 30, 2015 are as follows:

	Cost	Fair value	Unrealized gain (loss)
Money market funds	\$ 190,676	\$ 190,676	\$ -
Mutual funds	4,996,520	4,556,990	(439,530)
Corporate equity securities	6,878,386	7,000,972	122,586
Corporate bonds	1,241,014	1,233,439	(7,575)
Other	478,539	503,510	24,971
Total	<u>\$ 13,785,135</u>	<u>\$ 13,485,587</u>	<u>\$ (299,548)</u>

Endowment and investment income are allocated based on pooling of investments and consist of the following:

Interest and dividend income	\$ 491,628
Investment fees	(124,253)
Realized gain on investments	83,808
Net change in unrealized value of investments	<u>(299,548)</u>
	<u>\$ 151,635</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, 2015

### 5. ENDOWMENT FUNDS (continued):

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Donor restricted endowment funds	\$ -	\$ 3,112,578	\$ 9,981,051	\$ 13,093,629
Board designated endowment funds	214,770	-	-	214,770
	<u>\$ 214,770</u>	<u>\$ 3,112,578</u>	<u>\$ 9,981,051</u>	<u>\$ 13,308,399</u>

The following is a reconciliation of the activity in the Endowment funds for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment funds
Balance, beginning of year	\$ 1,011,311	\$ 3,431,472	\$ 9,927,997	\$ 14,370,780
Contributions	874,474	788,143	53,054	1,715,671
Investment income	(34,418)	186,053	-	151,635
Amount appropriated for expenditure	(1,158,069)	(1,232,444)	-	(2,390,513)
Amount appropriated for debt reduction	(478,528)	(60,646)	-	(539,174)
Balance, end of year	<u>\$ 214,770</u>	<u>\$ 3,112,578</u>	<u>\$ 9,981,051</u>	<u>\$ 13,308,399</u>

### 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

6. FAIR VALUE MEASUREMENTS (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 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.

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, 2015.

*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.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### 6. FAIR VALUE MEASUREMENTS (continued):

*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.

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, 2015.

		Assets at fair value as of June 30, 2015		
Description	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents included in investments	\$ 190,676	\$ 190,676	\$ -	\$ -
Corporate bonds	1,233,439	-	1,233,439	-
Corporate equity securities	7,000,972	7,000,972	-	-
Mutual funds	4,556,990	4,556,990	-	-
Other investments	503,510	-	503,510	-
Cash surrender value of life insurance	166,198	-	166,198	-
Total assets	<u>\$ 13,651,785</u>	<u>\$ 11,748,638</u>	<u>\$ 1,903,147</u>	<u>\$ -</u>
<b>Liability:</b>				
Annuity and life trust payable	\$ 133,135	\$ -	\$ 133,135	\$ -



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**7. PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of June 30, 2015 is as follows:

	Cost	Accumulated depreciation	Net
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	264,715	384,887
Building and improvements	19,693,315	8,204,515	11,488,800
Library books and media	1,352,902	1,154,178	198,724
Furniture and equipment	1,420,592	1,420,592	-
Vehicles	128,958	120,260	8,698
	<u>\$ 23,986,113</u>	<u>\$ 11,164,260</u>	<u>\$ 12,821,853</u>

Depreciation expense for the year ended June 30, 2015 amounted to \$583,045.

**8. MORTGAGES AND LOANS PAYABLE**

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2015) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017.

\$ 35,128

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2015) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017.

38,250

An open ended loan with RBC Capital Markets, with no fixed maturity date. Interest is at 3% below the RBC Capital Markets, LLC base lending rate (2.0% at June 30, 2015) secured by the value of a specified investment account at RBC Bank.

2,785,098

\$ 2,858,476

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**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:

2016	\$ 2,826,137
2017	<u>32,339</u>
	<u>\$ 2,858,476</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	\$ 1,160,967
Public service	106,704
Library	467,277
Student services	115,085
Theological research publications	14,096
Auxiliary enterprises	<u>1,217,421</u>
Total program services	<u>3,081,550</u>
Supporting services:	
General institutional	1,070,770
Development and communications	<u>758,897</u>
Total supporting services	<u>1,829,667</u>
Total expenses	<u>\$ 4,911,217</u>

**10. RETIREMENT PLAN:**

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**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 8% of each employee's salary, and the employee contributes 6%. The retirement benefit costs charged to expense amounted to \$123,846 in 2015.

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, 2015, which is the date the financial statements are available for issuance.

**ST. VLADIMIR'S  
ORTHODOX THEOLOGICAL SEMINARY  
FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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  
Yonkers, New York

### Report on Financial Statements

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, 2016, 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, 2016, 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 2015 financial statements, and our report dated October 15, 2015, 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, 2015, 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  
November 7, 2016

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2016**

**With Summarized Comparative Financial Information as of June 30, 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 5,809	\$ 4,355
Accounts receivable, net of allowance for doubtful accounts of \$66,147 in 2016 and \$104,750 in 2015	206,028	233,240
Pledges receivable, net	114,121	232,435
Prepaid expenses	12,501	19,837
Inventory	875,457	802,418
Investments	12,475,622	13,485,587
Cash surrender value of life insurance	173,677	166,198
Property and equipment, net of accumulated depreciation of \$11,739,139 in 2016 and \$11,164,260 in 2015	<u>12,260,698</u>	<u>12,821,853</u>
Total assets	<u>\$ 26,123,913</u>	<u>\$ 27,765,923</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 341,335	\$ 439,950
Deferred revenue	148,631	23,913
Mortgages and loans payable	2,456,609	2,858,476
Annuity and life trust payable	<u>128,062</u>	<u>133,135</u>
Total liabilities	<u>3,074,637</u>	<u>3,455,474</u>
Net assets:		
Unrestricted:		
Net investment in land, building and equipment	10,009,090	9,963,377
Board designated long-term investments	518,260	1,032,548
Undesignated	<u>221,255</u>	<u>220,895</u>
Total unrestricted	10,748,605	11,216,820
Temporarily restricted	2,196,660	3,112,578
Permanently restricted	<u>10,104,011</u>	<u>9,981,051</u>
Total net assets	<u>23,049,276</u>	<u>24,310,449</u>
Total liabilities and net assets	<u>\$ 26,123,913</u>	<u>\$ 27,765,923</u>

See notes to financial statements.

3.



**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2015**

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
<b>Revenue and reclassifications</b>					
Tuition and fees	\$ 625,100	\$ -	\$ -	\$ 625,100	\$ 628,391
Less scholarships and financial aid	(354,980)	-	-	(354,980)	(354,919)
Net tuition and fees	270,120	-	-	270,120	273,472
Gifts and grants	1,843,885	186,204	122,960	2,153,049	1,715,671
Endowment and investment income (loss)	(102,168)	(229,189)	-	(331,357)	151,635
Subscription income	18,121	-	-	18,121	17,455
Special events income	11,273	-	-	11,273	12,991
Auxiliary enterprises	1,479,813	-	-	1,479,813	1,423,117
Other income	17,253	-	-	17,253	11,948
Total revenue before net assets released from restriction	3,538,297	(42,985)	122,960	3,618,272	3,606,289
Reclassifications:					
Satisfaction of program restrictions	872,933	(872,933)	-	-	-
Total revenue and reclassifications	4,411,230	(915,918)	122,960	3,618,272	3,606,289
<b>Expenses</b>					
Instruction	843,816	-	-	843,816	803,458
Public service	42,388	-	-	42,388	48,173
Library	171,277	-	-	171,277	157,061
Student services	74,516	-	-	74,516	54,068
Theological research publications	13,352	-	-	13,352	13,524
Operation and maintenance of plant	602,220	-	-	602,220	681,413
General institutional expense	1,712,892	-	-	1,712,892	1,666,316
Interest expense	52,318	-	-	52,318	86,378
Auxiliary enterprises	791,787	-	-	791,787	817,781
Total expenses	4,304,566	-	-	4,304,566	4,328,172
Change in net assets before depreciation	106,664	(915,918)	122,960	(686,294)	(721,883)
Depreciation	(574,879)	-	-	(574,879)	(583,045)
Change in net assets	(468,215)	(915,918)	122,960	(1,261,173)	(1,304,928)
Net assets, beginning of year	11,216,820	3,112,578	9,981,051	24,310,449	25,615,377
Net assets, end of year	<u>\$10,748,605</u>	<u>\$ 2,196,660</u>	<u>\$10,104,011</u>	<u>\$23,049,276</u>	<u>\$ 24,310,449</u>

See notes to financial statements.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2016**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,261,173)	\$ (1,304,928)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	574,879	583,045
Realized (gain) loss on investments	350,795	(83,808)
Unrealized loss on investments	243,830	299,548
Bad debt expense, student services	4,220	7,456
Bad debt expense, bookstore	-	7,197
Bad debt expense, advancement	164,924	121,058
Discount on pledges receivable	6,000	(8,800)
(Increase) decrease in operating assets:		
Accounts receivable	22,992	(13,790)
Pledges receivable	(52,610)	(12,744)
Prepaid expenses	7,336	32,564
Inventory	(73,039)	5,889
Cash surrender value of life insurance	(7,479)	(4,339)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(98,615)	33,212
Deferred revenue	124,718	8,457
Annuity and life trust payable	(5,073)	(4,985)
Net cash provided by (used in) operating activities	<u>1,705</u>	<u>(334,968)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	9,435,002	4,999,788
Purchase of investments	(9,019,662)	(4,945,061)
Purchase of property and equipment	(13,724)	(30,779)
Net cash provided by investing activities	<u>401,616</u>	<u>23,948</u>
<b>Cash flows from financing activities:</b>		
Proceeds from debt	830,348	2,785,098
Repayment of principal debt	(1,232,215)	(2,851,039)
Net cash (used in) financing activities	<u>(401,867)</u>	<u>(65,941)</u>
Net increase (decrease) in cash	1,454	(376,961)
Cash, beginning of year	<u>4,355</u>	<u>381,316</u>
Cash, end of year	<u><u>\$ 5,809</u></u>	<u><u>\$ 4,355</u></u>
<b>Supplementary information:</b>		
Total interest paid	\$ 53,282	\$ 88,387

See notes to financial statements.

5.

## **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

#### **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 serve 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, 2016**

**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	\$ 78,031	\$ 26,719	\$ 104,750
Direct charge-offs/recoveries	(30,531)	(12,292)	(42,823)
Provision for bad debts	4,220	-	4,220
	<u>\$ 51,720</u>	<u>\$ 14,427</u>	<u>\$ 66,147</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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, 2016**

### **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, 2016**

### **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.

#### **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

## **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### **Property and equipment (continued)**

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 2016.

##### **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.

##### **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 2.0% to 9.0%. 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, 2016, 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, 2015, from which the summarized information was derived.



# **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **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 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.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**2. CONCENTRATIONS (continued):**

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.

**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	\$ 85,720
Due in one to five years	<u>45,525</u>
	131,245
Less: Allowance for uncollectable pledges	(13,124)
Less: Unamortized discount	<u>(4,000)</u>
Pledges receivable, net	<u>\$ 114,121</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	60,000
Direct charge-offs	(211,800)
Provision for uncollectible pledges	<u>164,924</u>
Allowance for uncollectible pledges	<u>\$ 13,124</u>

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**4. INVESTMENTS:**

The cost and fair values of investments as of June 30, 2016 are as follows:

	Cost	Fair value	Unrealized gain (loss)
Money market funds	\$ 528,430	\$ 528,430	\$ -
Mutual funds	5,866,221	5,715,036	(151,185)
Corporate equity securities	5,780,185	5,719,578	(60,607)
Corporate bonds	52,440	51,833	(607)
Other	503,510	460,745	(42,765)
Total	<u>\$ 12,730,786</u>	<u>\$ 12,475,622</u>	<u>\$ (255,164)</u>

Endowment and investment income (loss) are allocated based on pooling of investments and consist of the following:

Interest and dividend income	\$ 345,102
Investment fees	(81,834)
Realized loss on investments	(350,795)
Net change in unrealized value of investments	<u>(243,830)</u>
	<u>\$ (331,357)</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, 2016**

**5. ENDOWMENT FUNDS (continued):**

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Donor restricted endowment funds	\$ -	\$ 2,196,660	\$ 10,104,011	\$ 12,300,671
Board designated endowment funds	119,241	-	-	119,241
	<u>\$ 119,241</u>	<u>\$ 2,196,660</u>	<u>\$ 10,104,011</u>	<u>\$ 12,419,912</u>

The following is a reconciliation of the activity in the Endowment funds for the fiscal year ended June 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment funds
Balance, beginning of year	\$ 214,770	\$ 3,112,578	\$ 9,981,051	\$ 13,308,399
Contributions	1,843,885	186,204	122,960	2,153,049
Investment (loss)	(102,168)	(229,189)	-	(331,357)
Amount appropriated for expenditure	(1,271,671)	(872,933)	-	(2,144,604)
Amount appropriated for debt reduction	(565,575)	-	-	(565,575)
Balance, end of year	<u>\$ 119,241</u>	<u>\$ 2,196,660</u>	<u>\$ 10,104,011</u>	<u>\$ 12,419,912</u>

**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.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**6. FAIR VALUE MEASUREMENTS (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 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.

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, 2016.

*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.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

### 6. FAIR VALUE MEASUREMENTS (continued):

*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.

The following table sets forth by level, within the fair value hierarchy, the Seminary's assets and liabilities at fair value on a recurring basis as of June 30, 2016.

		Assets at fair value as of June 30, 2016		
Description	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents included in investments	\$ 528,430	\$ 528,430	\$ -	\$ -
Corporate bonds	51,833	-	51,833	-
Corporate equity securities	5,719,578	5,719,578	-	-
Mutual funds	5,715,036	5,715,036	-	-
Other investments	460,745	-	460,745	-
Cash surrender value of life insurance	173,677	-	173,677	-
Total assets	<u>\$ 12,649,299</u>	<u>\$ 11,963,044</u>	<u>\$ 686,255</u>	<u>\$ -</u>
<b>Liability:</b>				
Annuity and life trust payable	\$ 128,062	\$ -	\$ 128,062	\$ -

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**7. PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of June 30, 2016 is as follows:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	280,956	368,646
Building and improvements	19,693,315	8,709,685	10,983,630
Library books and media	1,366,626	1,201,848	164,778
Furniture and equipment	1,420,592	1,420,592	-
Vehicles	128,958	126,058	2,900
	<u>\$ 23,999,837</u>	<u>\$ 11,739,139</u>	<u>\$ 12,260,698</u>

Depreciation expense for the year ended June 30, 2016 amounted to \$574,879.

**8. MORTGAGES AND LOANS PAYABLE**

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.50% at June 30, 2016) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017.

\$ 15,361

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.50% at June 30, 2016) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017.

16,725

An open ended loan with RBC Capital Markets, with no fixed maturity date. Interest is at 3% below the RBC Capital Markets, LLC base lending rate (2.0% at June 30, 2016) secured by the value of a specified investment account at RBC Bank.

2,424,523

\$ 2,456,609

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**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:

2017	\$ 2,456,609
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**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	\$ 1,165,760
Public service	95,302
Library	457,035
Student services	129,338
Theological research publications	13,101
Auxiliary enterprises	<u>1,131,769</u>
Total program services	<u>2,992,305</u>
Supporting services:	
General institutional	844,290
Development and communications	<u>1,042,850</u>
Total supporting services	<u>1,887,140</u>
Total expenses	<u>\$ 4,879,445</u>



## **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

#### **10. MULTIPLE EMPLOYER PENSION PLAN:**

The Seminary participates in the Orthodox Church in America Pension Plan (the "Plan"), which is a multi-employer plan. The plan provides defined benefits with participation available to all full-time employees. The Seminary contributes 8% of each employee's salary, and the employee contributes 6%. Substantially all full-time employees participate in the Plan. This multi-employer 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 multi-employer plan differ 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 Seminary 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.

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 services 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 Seminary's required contribution to the Plan, was \$124,460 in 2016. The contribution made by the Seminary represented approximately 5.5% of the total contributions made to the Plan in 2016. To the extent the Plan is underfunded, future contributions to the Plan may increase. The Seminary has no intention of withdrawing from the plan.

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.

**ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**10. MULTIPLE EMPLOYER PENSION PLAN (continued):**

Information as to the portion of accumulated pension plan benefits and plan assets is not reported separately by the Church's sponsored pension plan.

Contributions from all employers to the Plan for 2015 are as follows:

Pension fund:	FEIN	2015
Orthodox Church in America Pension Plan	06-1455789	<u>\$ 2,274,809</u>

As of December 31, 2015, the Plan's total net assets available for benefits were \$24,681,834, and the actuarial present value of accumulated Plan benefits was \$47,240,855. As of December 31, 2015, the Plan was less than 65% funded.

**11. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through November 7, 2016, which is the date the financial statements are available for issuance.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Financial Statements  
With Independent Auditors' Report

June 30, 2017

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
St. Vladimir's Orthodox Theological Seminary  
Yonkers, New York

We have audited the accompanying financial statements of St. Vladimir's Orthodox Theological Seminary, which comprise the statement of financial position as of June 30, 2017, 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 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, 2017, 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 Matter***

As described in Note 12 of the financial statements, a misstatement of previously reported net assets as of June 30, 2016, was identified during the current year. Accordingly, a retrospective adjustment has been made to net assets. Our opinion is not modified with respect to this matter.



New York, New York  
February 9, 2018

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# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Statement of Financial Position June 30, 2017

### ASSETS:

Cash and cash equivalents	\$ 133,128
Accounts receivable, net	212,831
Prepaid expenses	30,296
Inventory	874,961
Pledges receivable, net	247,542
Assets held for sale	161,950
Investments	11,822,750
Cash surrender value of life insurance	185,471
Property and equipment-net	<u>11,473,886</u>

Total Assets	<u><u>\$ 25,142,815</u></u>
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### LIABILITIES AND NET ASSETS:

#### Liabilities:

Accounts payable and accrued expenses	\$ 326,131
Deferred revenue	95,406
Annuity and life trust payable	<u>111,270</u>
Total liabilities	<u>532,807</u>

#### Net assets:

##### Unrestricted:

Net investment in property and equipment	11,473,886
Board designated quasi-endowments	1,120,678
Undesignated (deficit)	<u>(2,889,521)</u>
Total unrestricted	9,705,043
Temporarily restricted	3,210,279
Permanently restricted	<u>11,694,686</u>
Total net assets	<u>24,610,008</u>

Total Liabilities and Net Assets	<u><u>\$ 25,142,815</u></u>
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See notes to financial statements

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Statement of Activities Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, SUPPORT AND RECLASSIFICATIONS:</b>				
Tuition and fees	\$ 801,889	\$ -	\$ -	\$ 801,889
Less: scholarships and financial aid	(464,047)	-	-	(464,047)
Net tuition and fees	337,842	-	-	337,842
Contributions and grants	2,077,428	479,120	504,000	3,060,548
Endowment and investment income	170,135	1,249,569	-	1,419,704
Auxiliary enterprises	1,401,225	-	-	1,401,225
Other income	54,500	-	-	54,500
Total revenue and support	4,041,130	1,728,689	504,000	6,273,819
Net assets released from restrictions	460,046	(460,046)	-	-
Total Revenue, Support, and Reclassifications	4,501,176	1,268,643	504,000	6,273,819
<b>EXPENSES:</b>				
Instruction	734,473	-	-	734,473
Public service	70,363	-	-	70,363
Library	173,696	-	-	173,696
Student services	69,633	-	-	69,633
Theological research publications	19,788	-	-	19,788
Operation and maintenance of plant	624,783	-	-	624,783
General institutional expense	1,306,502	-	-	1,306,502
Auxiliary enterprises	1,041,548	-	-	1,041,548
Interest expense	14,785	-	-	14,785
Depreciation	657,516	-	-	657,516
Total Expenses	4,713,087	-	-	4,713,087
Change in Net Assets	(211,911)	1,268,643	504,000	1,560,732
Net Assets, Beginning of Year:				
As previously reported	10,748,605	2,196,660	10,104,011	23,049,276
Prior period adjustment (Note 12)	(831,651)	(255,024)	1,086,675	-
As restated	9,916,954	1,941,636	11,190,686	23,049,276
Net Assets, End of Year	\$ 9,705,043	\$ 3,210,279	\$ 11,694,686	\$ 24,610,008

See notes to financial statements

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Statement of Cash Flows Year Ended June 30, 2017

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,560,732
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	657,516
Realized and unrealized gain on investments	(1,170,500)
Bad debt expense, bookstore	12,950
Bad debt expense, advancement	10,000
Contributions restricted for endowments	(504,000)
Changes in:	
Accounts receivable	(19,753)
Prepaid expenses	(17,795)
Inventory	496
Pledges receivable	(143,421)
Cash surrender value of life insurance	(11,794)
Accounts payable and accrued expenses	(15,204)
Deferred revenue	(53,225)
Annuity and life trust payable	3,849
Net Cash Provided By Operating Activities	<u>309,851</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(11,919,234)
Proceeds from maturity or sale of investments	13,742,606
Purchase of property and equipment	(32,654)
Net Cash Provided By Investing Activities	<u>1,790,718</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from contributions restricted for endowments	504,000
Payments to annuitants	(20,641)
Proceeds from new debt	31,628
Repayment of debt principal	(2,488,237)
Net Cash Used By Financing Activities	<u>(1,973,250)</u>

Change in Cash and Cash Equivalents	127,319
Cash and Cash Equivalents, Beginning of Year	<u>5,809</u>
Cash and Cash Equivalents, End of Year	<u>\$ 133,128</u>

### SUPPLEMENTAL INFORMATION:

Cash paid for interest—none capitalized	<u>\$ 14,785</u>
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See notes to financial statements



# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements  
June 30, 2017

## 1. NATURE OF ORGANIZATION:

St. Vladimir's Orthodox Theological Seminary (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 serve the Orthodox faithful in this country and abroad, and to promote study and research in Orthodox theology, history and culture. The Seminary's primary sources of revenue are tuition and related fees, charitable contributions, investment earnings and income from auxiliary enterprises.

The Seminary is a not-for-profit corporation organized under the not-for-profit laws of the State of New York, 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 (Code) and similar state provisions. The Seminary has also been classified as an entity that is not a private foundation under Section 509(a) of the Code, thereby qualifying for the receipt of deductible contributions as provided in the Code.

## 2. SIGNIFICANT ACCOUNTING POLICIES:

### BASIS OF PRESENTATION

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 (GAAP). GAAP 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. The significant accounting policies followed are described below.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on deposit, cash on hand and all highly liquid investments purchased with original maturities of three months or less. These accounts, at times, exceed federally insured limits. The Seminary has not experienced any losses on these accounts, nor does it believe it is exposed to significant risk.

### ACCOUNTS RECEIVABLE

Accounts receivable primarily represents the balance of student tuition charges and other miscellaneous charges owed to the Seminary, as well as balances owed by customers on press/bookstore sales. The Seminary has established an allowance for doubtful accounts to provide for potential losses in the various receivable accounts. The allowances for doubtful accounts are established through a provision for losses and charged to expense. Receivables are charged against the allowance when management believes that collection 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. Accounts receivable as of June 30, 2017, amounted to \$163,505 and \$127,268 for student tuition and press/bookstore sales, respectively. Allowances for doubtful accounts as of June 30, 2017, amounted to \$50,565 and \$27,377 for student tuition receivables and press/bookstore sales receivables, respectively.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Notes to Financial Statements

June 30, 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVENTORY

The Seminary's bookstore inventory consists primarily of publications and is stated at the lower of cost or market determined by the first-in, first-out method.

#### PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

#### ASSETS HELD FOR SALE

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets designated as held for sale are recorded at the lower of carrying amount at the time the classification as held for sale was made or fair value less costs to sell. Depreciation is not charged against property and equipment classified as held for sale.

As of June 30, 2017, assets held for sale consist of two residential properties owned by the Seminary with carrying amounts of \$139,978 and \$21,972, respectively, and were previously carried in property and equipment on the statement of financial position.

#### INVESTMENTS

Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are reported at fair value, which is determined using published exchange market quotations where applicable and using estimated market value when no ready market exists. Estimated market value is based on expected future cash flows. Donated investments are initially reported at fair value on the date of the gift and then reported at fair value at the end of each year. Unrealized gains and losses are included in unrestricted endowment and investment income in the statement of activities unless a donor restriction or state law temporarily or permanently restricts their use.

#### 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. Expenditures for maintenance and repairs are expensed as incurred. Donated property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Notes to Financial Statements

June 30, 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PROPERTY AND EQUIPMENT, continued

Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	30 to 40 years
Library books and media	5 to 10 years
Furniture and equipment	5 to 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 2017.

#### DEFERRED REVENUE

Deferred revenue results from the Seminary recognizing tuition and fee revenue in the period in which the related educational instruction is performed. Accordingly, tuition and fees received for the next school term are deferred until the instruction commences. For school terms that span from one fiscal year to the next, tuition and fee revenue is deferred ratably.

#### ANNUITY AND LIFE TRUST PAYABLE

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 2.0% to 9.0%. Annuity and life trust distributions amounted to \$20,641 for the year ended June 30, 2017.

#### FAIR VALUE MEASUREMENTS

The Seminary follows the updated provisions of the *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The following disclosure of estimated fair value of financial instruments is made in accordance with the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements  
June 30, 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### FAIR VALUE MEASUREMENTS, continued

Level 1—Inputs are quoted prices (unadjusted) in active markets for identical investments that the Seminary has the ability to access at the measurement date.

Level 2—Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3—Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Seminary uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Seminary 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used for the year ended June 30, 2017.

#### *Corporate equity securities and exchange traded funds*

Valued at the closing price reported on the active market on which the individual securities are traded.

#### *Government and agency bonds*

Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basic value on yields currently available on comparable securities with issuers of similar credit ratings.

#### *Mutual funds*

Valued at the daily closing price as reported by the fund and quoted in active markets.

### CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

*Unrestricted net assets* are those that are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Seminary to utilize funds in furtherance of its mission.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements  
June 30, 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### CLASSES OF NET ASSETS, continued

*Temporarily restricted net assets* are those 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 by the passage of time. Expiration of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

*Permanently restricted net assets* are those that are subject to donor-imposed restrictions that will never lapse, thus requiring the funds to 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.

### REVENUE AND EXPENSES

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. The Seminary reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. 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.

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. There were no such donations during the year ended June 30, 2017.

Directly identifiable expenses are charged to programs and supporting services. General institutional and development and communications expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Seminary.

### 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.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Notes to Financial Statements

June 30, 2017

### 3. PLEDGES RECEIVABLE:

Pledges receivable consist of the following:

Due in less than one year	\$ 77,926
Due in one to five years	193,283
	<hr/> 271,209
Less: Allowance for uncollectible pledges	(10,000)
Less: unamortized discount	(13,667)
	<hr/> <hr/> \$ 247,542

A risk adjusted discount rate of 3% was used to determine the net present value of pledges receivable due in more than one year.

### 4. INVESTMENTS:

Investments consist of the following:

Money market funds	\$ 85,960
Equity securities	2,528,625
Mutual funds	4,195,932
Exchange traded funds	4,494,392
Government and agency bonds	25,801
Other investments	492,040
	<hr/> \$ 11,822,750

Endowment and investment income consists of the following:

Interest and dividends	\$ 322,972
Realized gains	310,879
Unrealized gains	859,621
Investment fees	(73,768)
	<hr/> \$ 1,419,704

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 investment 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 statements of financial position and activities.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Notes to Financial Statements

June 30, 2017

### 5. FAIR VALUE MEASUREMENTS:

The following table sets forth by level, within the fair value hierarchy, the Seminary's assets at fair value measured on a recurring basis.

		Fair Value Disclosure			
	Fair Value	Level 1	Level 2	Level 3	
Investments measured using hierarchical valuation techniques:					
Money market funds held in brokerage accounts	\$ 85,960	\$ 85,960	\$ -	\$ -	
Equity securities	2,528,625	2,528,625	-	-	
Mutual funds	4,195,932	4,195,932	-	-	
Exchange traded funds	4,494,392	4,494,392	-	-	
Government and agency bonds	25,801	25,801	-	-	
	11,330,710	11,330,710	-	-	
Investments measured at net asset value:					
Limited partnership	492,040	-	-	-	
	\$ 11,822,750	\$ 11,330,710	\$ -	\$ -	

The Seminary uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with measurement principles of an investment company or have attributes of an investment company. The Seminary is invested in one fund measured at NAV as of June 30, 2017:

<u>Strategy</u>	<u>NAV in fund</u>	<u>Remaining life</u>	<u>Redemption terms / restrictions</u>
Limited partnership focusing on investments in natural resources	<u>\$ 492,040</u>	5.5 years	N/A - this fund is in a partnership structure with no ability to redeem.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements  
June 30, 2017

6. PROPERTY AND EQUIPMENT:

Property and equipment are summarized as follows:

Land	\$ 698,340
Land improvements	649,602
Building and improvements	19,067,836
Library books and media	1,366,626
Furniture and equipment	876,362
Vehicles	61,695
	<hr/> 22,720,461
Less: accumulated depreciation	(11,246,575)
	<hr/> <u>\$ 11,473,886</u>

Depreciation expense for the year ended June 30, 2017, amounted to \$657,516.

7. COMMITMENTS:

The Seminary has available an open ended loan with its primary brokerage, with no fixed maturity date. Interest on any outstanding balances is at 3% below the brokerage's base lending rate. The loan is secured by the value of a specified investment account at the brokerage. There were no outstanding borrowings on this loan as of June 30, 2017.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

Purpose restrictions:

Scholarship and student aid funds	\$ 64,207
Unappropriated endowment earnings, restricted for scholarships, student aid, general operations and other purposes	2,776,901
Other restricted purposes	121,629
	<hr/> 2,962,737

Time restrictions:

Pledges receivable, net	247,542
	<hr/>
	<u>\$ 3,210,279</u>

Release from restrictions consists of the following:

Purpose restrictions:

Scholarship and student aid funds	\$ 121,508
Endowment appropriations for expenditure	338,538
	<hr/>
	<u>\$ 460,046</u>



# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Notes to Financial Statements

June 30, 2017

### 9. ENDOWMENT FUNDS:

The Seminary maintains various donor-restricted and board designated funds whose purpose is to provide long-term support for its programs. As required by GAAP, 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.

In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Seminary looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Seminary. The Seminary considers the following factors in making a determination to appropriate or accumulate donor restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Seminary 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 Seminary
- (7) The investment policies of the Seminary

### ENDOWMENT INVESTMENT AND SPENDING POLICIES

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 Seminary's interpretation of State law.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Notes to Financial Statements June 30, 2017

### 9. ENDOWMENT FUNDS, continued:

Endowment net assets by type of fund as of June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,702,835	\$ 11,694,686	\$ 14,397,521
Board-designated quasi-endowment funds	1,120,678	74,066	-	1,194,744
	<u>\$ 1,120,678</u>	<u>\$ 2,776,901</u>	<u>\$ 11,694,686</u>	<u>\$ 15,592,265</u>

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 1,397,543	\$ 1,791,804	\$ 11,190,686	\$ 14,380,033
Contributions	-	74,066	504,000	578,066
Investment income, net	138,958	1,249,569	-	1,388,527
Appropriations from donor-designated endowment funds	-	(338,538)	-	(338,538)
Appropriations from board-designated quasi-endowment funds	(415,823)	-	-	(415,823)
	<u>(276,865)</u>	<u>985,097</u>	<u>504,000</u>	<u>1,212,232</u>
Endowment net assets - end of year	<u>\$ 1,120,678</u>	<u>\$ 2,776,901</u>	<u>\$ 11,694,686</u>	<u>\$ 15,592,265</u>

### 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 requires the Seminary to retain as a fund of perpetual duration. As of June 30, 2017, there were 35 individual donor-restricted endowment funds for which the fair value of assets allocated to the funds was below the level that the donor requires the Seminary to retain as a fund of perpetual duration by a total of \$894,111. The primary reason for the deficits is internal borrowing by the Seminary from endowment assets to fund debt repayment and prior years operating deficits. The effect of internal borrowing on endowment assets as of June 30, 2017, is as follows:

Endowment net assets	\$ 15,592,265
Less: cumulative internal borrowing from endowments for:	
Debt repayment	(2,639,503)
Operating deficits	<u>(1,176,160)</u>
Fair value of endowment assets	<u>\$ 11,776,602</u>

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements  
June 30, 2017

## 10. FUNCTIONAL ALLOCATION OF EXPENSES:

Allocation of expenses across program and supporting services are as follows:

Program services:	
Instruction	\$ 1,061,268
Public service	126,172
Library	470,164
Student services	127,386
Theological research publications	20,778
Auxiliary enterprises	1,428,478
	<u>3,234,246</u>
Supporting services:	
General institutional	994,952
Development and communications	483,889
	<u>1,478,841</u>
Total expenses	<u>\$ 4,713,087</u>

## 11. MULTIPLE EMPLOYER PENSION PLAN:

The Seminary participates in the Orthodox Church in America Pension Plan (the "Plan"), which is a multi-employer plan. The plan provides defined benefits with participation available to all full-time employees. The Seminary contributes 8% of each employee's salary, and the employee contributes 6%. Substantially all full-time employees participate in the Plan. This multi-employer plan, administered by the pension board of the Orthodox Church in America, is a contributory plan, and provides defined benefits based on years of service and remuneration near retirement. The risks of participating in this multi-employer plan differ 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 Seminary 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.

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 services 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 Seminary's required contribution to the Plan, was \$108,969 for the year ended June 30, 2017. The contribution made by the Seminary represented approximately 4.6% of the total contributions made to the Plan. To the extent the Plan is underfunded, future contributions to the Plan may increase. The Seminary has no intention of withdrawing from the plan.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## Notes to Financial Statements June 30, 2017

### 11. MULTIPLE EMPLOYER PENSION PLAN, continued:

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 most recent available data from the Plan is for the Plan year ended December 31, 2016. Information as to the portion of accumulated pension plan benefits and plan assets is not reported separately by the Church's sponsored pension plan.

Contributions from all employers to the Plan for the 2016 Plan year are as follows:

Pension fund:	FEIN	2016
Orthodox Church in America Pension Plan	06-1455789	\$ 2,353,912

As of the Plan year ending December 31, 2016, the Plan's total net assets available for benefits were \$23,698,253, and the actuarial present value of accumulated Plan benefits was \$49,211,285. As of the Plan year ending December 31, 2016, the Plan was less than 65% funded.

### 12. PRIOR-PERIOD ADJUSTMENT:

During the year ended June 30, 2017, the Seminary identified errors in the reporting of net assets. The prior-period adjustment resulted from misclassified donor restricted permanent endowment funds. As a result, the following summarizes the adjustments made to each class of net assets as of the beginning of the earliest period presented in these financial statements:

	June 30, 2016		
	As Previously Stated	Adjustment	As Restated
Unrestricted net assets	\$ 10,748,605	\$ (831,651)	\$ 9,916,954
Temporarily restricted net assets	2,196,660	(255,024)	1,941,636
Permanently restricted net assets	10,104,011	1,086,675	11,190,686
	<u>\$ 23,049,276</u>	<u>\$ -</u>	<u>\$ 23,049,276</u>

Had these adjustments been reflected in the financial statements for the year ended June 30, 2016, they would have had the following affect on change in net assets for the year then ended:

	Year Ended June 30, 2016		
	As Previously Stated	Adjustment	As Restated
Unrestricted net assets	\$ (468,215)	\$ (256,782)	\$ (724,997)
Temporarily restricted net assets	(915,918)	256,782	(659,136)
Permanently restricted net assets	122,960	-	122,960
	<u>\$ (1,261,173)</u>	<u>\$ -</u>	<u>\$ (1,261,173)</u>

# **ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY**

## **Notes to Financial Statements**

**June 30, 2017**

**13. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through February 9, 2018, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.