

Financial Reports

20th All-American Council
Baltimore, MD – July 18-22, 2022

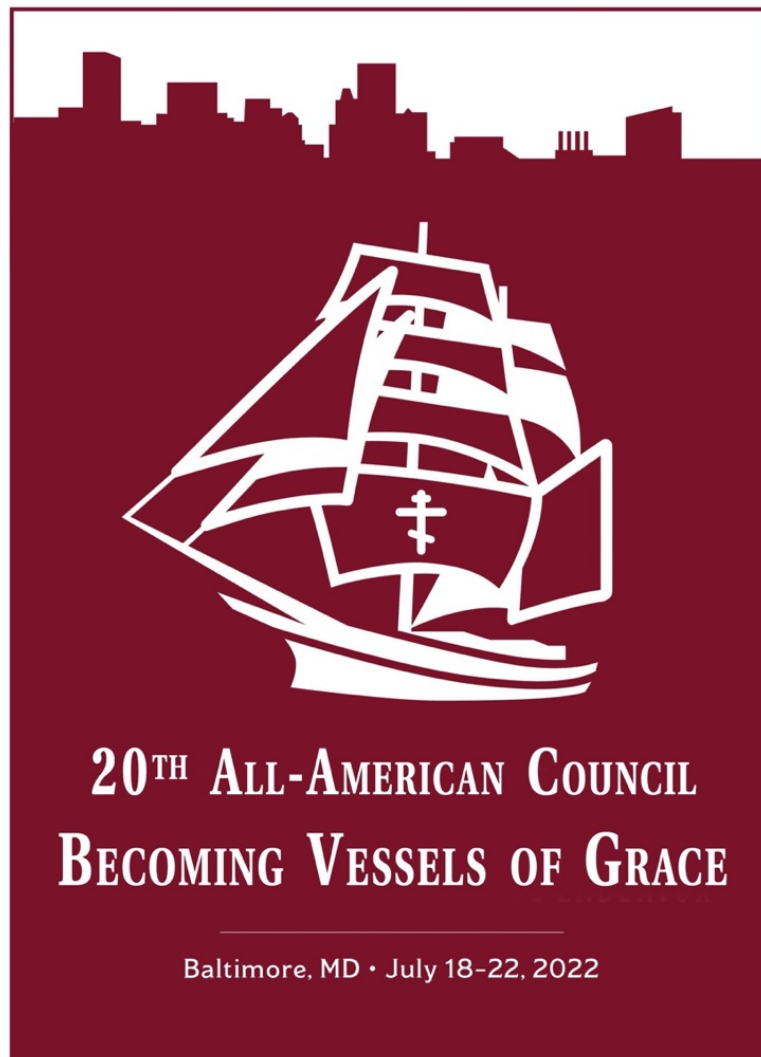


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This report has been prepared by the financial office of the Orthodox Church in America for the 20th All-American Council to be held in Baltimore, MD from July 18 through 22, 2022. Included are reports on the finances of the Church as well as associated institutions.

The Orthodox Church in America's audited financial statements for 2018–2020 and an unaudited report for 2021 are provided first. 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. Also included are the financial reports of the Orthodox Church in America pension plan, which is structured as a trust governed by its own Board.

This 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.

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Treasurer's Report

Quarter End - December 31, 2021

Your Beatitude, Your Eminences, Your Graces, Reverend Fathers, brothers and sisters,

Greetings in Christ!

What follows is a set of internal financial statements that has been compiled with preliminary financial data from the full fiscal year 2021. It appears that the OCA will see a fairly significant increase in unrestricted net assets for the year -- an increase that will be important as we undertake a number of significant projects in the coming year or two.

Included in this Treasurer's Report for the period ended December 31, 2021 are the following:

- * Statement of Operating Activity - Unrestricted
- * Statement of Operating Activity - Restricted
- * Comparative Balance Sheet for December 31, 2021 and December 31, 2020

December 31, 2021 represents 12/12ths of the OCA's fiscal year, so the target for operating revenues and expenses is 100%.

Please note that this data, while substantively correct, is preliminary and unaudited. We do expect additional adjustments.

Revenues

Revenue collection was \$2,132K, including 100% of our anticipated annual endowment draw for 2021, on an annual budget of \$1,898K (112.33%). Diocesan contributions were at 107.55% and individual contributions (including the Stewards campaign) were stronger than expected.

Expenses

Expenses incurred through December were \$1,548K on an annual budget of \$1,898K (81.59%). Much of our positive expense variance is due to staffing vacancies and curtailed travel, lodging, and meal expenses related to Metropolitan Council and Holy Synod meetings.

Net Income

Unrestricted net income is a \$583K (including 100% of the anticipated endowment draw) surplus through the end of the year.

If you have any questions about this report, please don't hesitate to contact me at asmith@oca.org.

In Christ,

Andrew D. Smith
Treasurer

ORTHODOX CHURCH IN AMERICA
Statement of Operating Activity - FY2020 - Preliminary & Unaudited
December 31, 2021

				Target 100.00%
				D
<i>Unrestricted</i>	A CURRENT QUARTER	B YEAR TO DATE	C ANNUAL BUDGET	% BUDGET USED
1 REVENUE				
2 Diocesan Contributions	453,246	1,810,588	1,683,455	107.55%
3 Individual/Business Contributions	51,906	143,733	100,000	143.73%
4 Service Fees	6,313	19,913	15,000	132.75%
5 Interest Income/Realized Gains/Losses	1,045	4,174	-	
6 Appeals	-	-	-	
7 Special Events	-	-	-	
8 Other	6,461	8,057	-	
9 Release from Restriction - Endowed	-	77,622	66,000	117.61%
10 Release from Restriction - Restricted	-	68,000	33,615	
11 TOTAL REVENUE	518,972	2,132,087	1,898,070	112.33%
12				
13				
14				
15 EXPENSES				
16 Administration	106,490	368,002	376,035	97.86%
17 Executive	137,483	510,352	642,469	79.44%
18 Archives	24,995	96,885	96,044	100.88%
19 External Affairs	8,132	44,313	63,939	69.31%
20 Chapel	25	1,160	4,400	26.35%
21 Property	22,460	103,944	125,430	82.87%
22 TOC/Comm	4,632	24,786	49,186	50.39%
23 Holy Synod	27,286	46,462	66,300	70.08%
24 Metropolitan's Office	14,673	30,638	63,400	48.32%
25 Metropolitan Council	24,992	27,660	32,450	85.24%
26 St. Catherine's	12,512	57,880	65,300	88.64%
27 SOCA	-	-	-	
28 BOT	-	-	10,000	0.00%
29 Mission Planting Grants	11,333	68,000	68,000	100.00%
30 Ordination Candidacy	-	-	12,000	0.00%
31 Canons & Statutes	-	-	-	
32 ORSMA	3,915	18,158	27,611	65.76%
33 Continuing Ed	-	-	9,000	0.00%
34 Seminaries	18,000	18,000	18,000	100.00%
35 Departments	45,643	132,378	168,506	78.56%
36 TOTAL EXPENSES	462,572	1,548,619	1,898,070	81.59%
37				
38 REVENUE OVER/(UNDER) EXPENSES	56,400	583,469	1	

ORTHODOX CHURCH IN AMERICA
Statement of Operating Activity - FY2020 - **Preliminary & Unaudited**
December 31, 2021

				Target 100.00%
<i>Temp Restricted</i>	A	B	C	D
	CURRENT QUARTER	YEAR TO DATE	ANNUAL BUDGET	% BUDGET USED
1 REVENUE				
2 Diocesan Contributions	198,132	259,549	-	
3 Individual/Business Contributions	8,472	218,777	-	
4 Service Fees	-	-	-	
5 Interest Income/Realized Gains/Losses	(66,037)	(6,600)	-	
6 Appeals	-	-	-	
7 Special Events	-	-	-	
8 Other (incl Grants)	-	-	-	
9 TOTAL REVENUE	140,567	471,727	-	
10				
11				
12				
13 EXPENSES				
14 Restricted Funds				
15 All-America Council	2,628	13,630	-	
16 Charity	-	-	-	
17 Missions	-	-	-	
18 Seminary	-	-	-	
19 Endowments - Distributions & Fees	4,851	19,485	-	
20 Chapel	-	-	-	
21 Archives	-	-	-	
22 Lilly Grant	32,896	84,116	-	
23 Clergy Synaxis	6,000	19,000	-	
24 TOTAL EXPENSES	46,375	136,230	-	
25				
26 REVENUE OVER/(UNDER) EXPENSES	94,192	335,497	-	

ORTHODOX CHURCH IN AMERICA
Balance Sheet - FY2020 - **Preliminary & Unaudited**
December 31, 2021

	A	B	C	D
		<u>12/31/2021</u>	<u>12/31/2020</u>	<u>DIFFERENCE</u>
1	ASSETS			
2	Cash & Cash Equivalents - Operating	1,535,873	865,924	669,949
3	Cash & Cash Equivalents - Restricted	767,797	638,028	129,768
4	Petty Cash	426	853	(427)
5				
6	Accounts Receivable	159,979	120,996	38,982
7	Grants Receivable	-	-	-
8	Prepaid Expense	21,676	-	21,676
9	Other Current Assets	-	1,156	(1,156)
10				
11	Fixed Assets, net of depreciation	329,358	313,763	15,595
12	Investments	3,686,745	3,275,975	410,770
13				
14	Total Assets	<u>6,501,853</u>	<u>5,216,695</u>	<u>1,285,158</u>
15				
16				
17	LIABILITIES			
18	Accounts Payable	4,101	43,627	(39,525)
19	Accrued Expenses	39,750	-	39,750
20	Retirement Obligation	37,552	37,552	-
21	Unitrust Liability	94,238	106,527	(12,289)
22	Payroll Liabilities	(45)	(944)	899
23	Other Liabilities	327	-	327
24				
25	Deferred Revenue	267,812	-	267,812
26				
27	Total Liabilities	<u>443,735</u>	<u>186,762</u>	<u>256,974</u>
28				
29				
30	NET ASSETS	<u><u>6,058,118</u></u>	<u><u>5,029,934</u></u>	<u><u>1,028,184</u></u>

**THE ORTHODOX CHURCH IN AMERICA
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Orthodox Church in America

We have audited the accompanying financial statements of The Orthodox Church in America (a nonprofit Church), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orthodox Church in America as of December 31, 2020 and 2019, 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.

Satty, Levine & Ciacco, CPAs, P.C.
Melville, New York
November 11, 2021

THE ORTHODOX CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 1,159,166	\$ 383,990
Restricted cash	351,108	415,360
Investments:		
Endowment pool fund	1,660,859	1,432,836
St. Andrew endowment fund	128,984	125,152
FOS endowment fund	103,982	86,866
Missions endowment fund	1,084,809	935,810
Annuity and unitrust fund	143,279	148,091
	<u>3,121,913</u>	<u>2,728,755</u>
Accounts receivable, net	164,957	196,386
Note receivable	150,000	150,000
Prepaid expenses	3,500	3,500
Property and equipment, net	<u>315,287</u>	<u>341,159</u>
TOTAL ASSETS	<u><u>\$ 5,265,931</u></u>	<u><u>\$ 4,219,150</u></u>
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 89,455	\$ 69,314
Retirement obligations	37,552	37,552
Annuity and unitrust agreements	<u>100,527</u>	<u>106,527</u>
TOTAL LIABILITIES	<u>227,534</u>	<u>213,393</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	991,039	245,606
Invested in property and equipment	<u>315,287</u>	<u>341,159</u>
Total without donor restrictions	1,306,326	586,765
With donor restrictions	<u>3,732,071</u>	<u>3,418,992</u>
TOTAL NET ASSETS	<u>5,038,397</u>	<u>4,005,757</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,265,931</u></u>	<u><u>\$ 4,219,150</u></u>

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT, REVENUES AND RECLASSIFICATIONS			
Support:			
Diocesan assessments	\$ 1,762,805	\$ -	\$ 1,762,805
General contributions	112,395	53,383	165,778
Total support	1,875,200	53,383	1,928,583
Revenues:			
Interest and dividends	9,494	27,898	37,392
Investment income, net	21,595	348,211	369,806
Other revenue	231,481	-	231,481
Total revenues	262,570	376,109	638,679
Reclassifications:			
Net assets released from restrictions	125,030	(125,030)	-
Total operating support, revenue and reclassifications	2,262,800	304,462	2,567,262
EXPENSES:			
Program services	493,598	-	493,598
General and administrative	1,031,139	-	1,031,139
Development	18,502	-	18,502
Total expenses	1,543,239	-	1,543,239
Change in net assets from operations	719,561	304,462	1,024,023
Nonoperating activities			
Change in actuarial value of annuities and unitrusts	-	6,000	6,000
Investment income, net	-	2,617	2,617
Total operating activities	-	8,617	8,617
Change in net assets	719,561	313,079	1,032,640
Net assets at beginning of year	586,765	3,418,992	4,005,757
Net assets at end of year	\$ 1,306,326	\$ 3,732,071	\$ 5,038,397

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT, REVENUES AND RECLASSIFICATIONS			
Support:			
Diocesan assessments	\$ 1,725,504	\$ -	\$ 1,725,504
General contributions	6,765	3,383	10,148
SOCA	68,075	8,654	76,729
Missions	-	2,275	2,275
Seminary	-	878	878
Charity	-	696	696
Donated services	3,980	-	3,980
Total support	1,804,324	15,886	1,820,210
Revenues:			
All-American council income	-	1,225	1,225
Interest and dividends	94	58,478	58,572
Investment income, net	-	421,296	421,296
Other revenue	18,395	-	18,395
Total revenues	18,489	480,999	499,488
Reclassifications:			
Net assets released from restrictions	103,481	(103,481)	-
Total operating support, revenue and reclassifications	1,926,294	393,404	2,319,698
Expenses:			
Program services	605,335	-	605,335
General and administrative	1,180,637	-	1,180,637
Development	66,356	-	66,356
Total expenses	1,852,328	-	1,852,328
Change in net assets from operations	73,966	393,404	467,370
Nonoperating activities			
Change in actuarial value of annuities and unitrusts	-	2,952	2,952
Investment income, net	-	6,415	6,415
Total operating activities	-	9,367	9,367
Change in net assets	73,966	402,771	476,737
Net assets at beginning of year	512,799	3,016,221	3,529,020
Net assets at end of year	\$ 586,765	\$ 3,418,992	\$ 4,005,757

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total
EXPENSES:				
Salaries, wages and benefits	\$ 321,029	\$ 708,613	\$ -	\$ 1,029,642
Transportation, travel, meals and related expenses	15,743	41,782	-	57,525
Professional fees and other outside services	39,891	45,309	9,124	94,324
Scholarships, grants and other assistance	70,952	9,500	-	80,452
Equipment, supplies and other religious materials	9,869	13,244	195	23,308
Repairs and maintenance	-	36,159	-	36,159
Utilities	-	19,082	-	19,082
Telephone	3,088	14,716	9,094	26,898
Insurance	6,308	42,787	-	49,095
Printing, postage and delivery services	9,860	10,278	89	20,227
Dues, fee and subscriptions	10,792	11,953	-	22,745
Conferences and meetings	5,372	2,018	-	7,390
Bank charges	-	2,184	-	2,184
Depreciation expense	-	26,894	-	26,894
Facility payment in lieu of taxes	-	36,299	-	36,299
Miscellaneous	-	3,375	-	3,375
Interest expense	-	1,239	-	1,239
Payroll processing fees	694	5,707	-	6,401
TOTAL EXPENSES	\$ 493,598	\$ 1,031,139	\$ 18,502	\$ 1,543,239

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
EXPENSES:				
Salaries, wages and benefits	\$ 333,273	\$ 758,840	\$ 28,560	\$ 1,120,673
Transportation, travel, meals and related expenses	92,466	120,608	-	213,074
Professional fees and other outside services	55,060	44,282	33,000	132,342
Scholarships, grants and other assistance	64,896	-	-	64,896
Equipment, supplies and other religious materials	13,003	39,438	1,256	53,697
Repairs and maintenance	-	41,048	-	41,048
Utilities	37	25,691	-	25,728
Telephone	3,974	19,511	2,415	25,900
Insurance	-	43,436	-	43,436
Printing, postage and delivery services	7,977	8,771	1,125	17,873
Dues, fee and subscriptions	26,687	3,495	-	30,182
Conferences and meetings	7,860	1,144	-	9,004
Bank charges	102	2,307	-	2,409
Depreciation expense	-	29,077	-	29,077
Facility payment in lieu of taxes	-	40,103	-	40,103
Payroll processing fees	-	2,886	-	2,886
TOTAL EXPENSES	\$ 605,335	\$ 1,180,637	\$ 66,356	\$ 1,852,328

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,032,640	\$ 476,737
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	26,894	29,077
Loss on sale of van	1,303	-
Net (appreciation) in fair market value of investments	(392,006)	(330,714)
Net change in actuarial value of annuities and unitrusts	(6,000)	(2,952)
(Increase) decrease in:		
Accounts receivable	31,429	(2,874)
Grant receivable	-	345,700
Prepaid expenses	-	18,277
Increase (decrease) in:		
Accounts payable and accrued expenses	20,141	22,641
Retirement obligations	-	-
TOTAL ADJUSTMENTS	(318,239)	79,155
Net cash provided by operating activities	714,401	555,892
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions of property and equipment	(3,325)	(5,404)
Proceeds from sale of van	1,000	-
Proceeds from sale of investments	1,187,740	587,645
Purchase of investments	(1,188,892)	(735,100)
Net cash (used in) investing activities	(3,477)	(152,859)
Net increase in cash and restricted cash	710,924	403,033
Cash and restricted cash - beginning of year	799,350	396,317
Cash and restricted cash - end of year	\$ 1,510,274	\$ 799,350

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION

A. 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.

B. BASIS OF ACCOUNTING

The financial statements of the Church have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

C. BASIS OF PRESENTATION

The financial statements of The Orthodox Church in America have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require The Orthodox Church in America to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of The Orthodox Church in America's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Orthodox Church in America or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

D. MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to The Orthodox Church in America's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

The Church considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. INVESTMENTS

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

C. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Church groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets and liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- 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.
- Inputs other than quoted prices that are observable for the asset/liability.
- Inputs that are derived principally from, or corroborated by, other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

D. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the 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. Management has determined that no allowance is needed at December 31, 2020 and 2019.

E. PROPERTY AND EQUIPMENT

Building and equipment are stated at cost or at their estimated fair market value if donated. Costs in excess of \$3,000 and the value of donated property and equipment are capitalized. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

Building and improvements	5-40 years
Furniture, fixtures and equipment	5-7 years
Auto and truck	3-10 years
Software	5-7 years

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 net assets with donor restrictions or net assets without donor restrictions, 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.

G. CONTRIBUTIONS AND DIOCESAN ASSESSMENTS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Diocesan contributions or assessments are recorded as revenue in the year the dioceses are assessed. Such revenue is calculated and assessed based upon an approved percentage of each diocese's budget.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CONTRIBUTED SERVICES

Contributed services are recognized as contributions at their estimated fair value in accordance with the Financial Accounting Standards Board authoritative guidance on *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased.

For the years ended December 31, 2020 and 2019, The Orthodox Church in America received donated professional services in the amount of approximately \$0 and \$3,980, respectively.

I. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries, wages and benefits	Time and effort
Transportation, travel, meals and related expenses	Actual or time and effort
Professional fees and other outside services	Actual or time and effort
Scholarship, grants and other assistance	Actual
Other	Actual, square footage or time and effort

J. USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

K. 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, 2020 and 2019.

L. INCOME TAXES

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

The most significant tax positions of the Church are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. RECLASSIFICATION

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

N. 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 \$68,182 at December 31, 2020 (\$72,245 in 2019). The present value of the remaining future liability to be distributed by the Church amounted to \$56,759 in 2020 and \$61,043 in 2019.

O. 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 contributions with donor restrictions 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 \$75,097 at December 31, 2020 (\$75,846 at December 31, 2019). 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 \$43,768 at December 31, 2020 (\$45,485 at December 31, 2019).

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents The Orthodox Church in America's financial assets at December 31, 2020 and 2019:

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 1,159,166	\$ 383,990
Restricted cash	351,108	415,360
Investments	3,121,913	2,728,755
Accounts receivable, net	164,957	196,386
Total financial assets	<u>4,797,144</u>	<u>3,724,491</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>3,732,071</u>	<u>3,418,992</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,065,073</u>	<u>\$ 305,499</u>

The Church's goal is generally to maintain financial assets to meet the general operating expenses.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4. RESTRICTED CASH

The cash is restricted for the purpose of the thriving in ministry initiative grant. Restricted cash at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Restricted cash - Thriving in ministry program	\$ 351,108	\$ 415,360

NOTE 5. INVESTMENTS

Investments are reported at fair value in accordance with authoritative guidance issued by the Financial Accounting Standards Board on *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Fair value is determined by using quoted market prices, where available. When quoted market prices are not available, the present value of estimated or expected future cash flows or another reasonable method is used.

Investments as of December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Corporate equity securities	\$ 2,534,801	\$ 2,078,111
Money market funds	406,730	444,529
Fixed income securities	39,721	60,849
Mutual funds	72,479	73,021
Annuity investments	68,182	72,245
	<u>\$ 3,121,913</u>	<u>\$ 2,728,755</u>

At December 31, 2020 and 2019, all investments were considered level 1 investments, except for the annuity investments which were considered level 2 investments.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Land (non-depreciable)	\$ 45,000	\$ 45,000
Archive room improvements in progress (non-depreciable)	104,067	104,067
Building and improvements	570,508	570,508
Furniture, fixtures and equipment	197,142	200,787
Software	33,000	33,000
Total property and equipment	949,717	953,362
Less: Accumulated depreciation	(634,430)	(612,203)
Property and equipment, net	<u>\$ 315,287</u>	<u>\$ 341,159</u>

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7. EMPLOYEE BENEFIT PLANS

PENSION PLANS:

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 \$53,419 in 2020 and \$54,451 in 2019. The contribution made by the Church represented approximately 2.00% and 2.06% of the total contributions made to the Plan in December 31, 2020 and 2019, 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 following table discloses the name and funded status of the Plan as of January 1, 2021 and 2020 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as December 31, 2020 and 2019:

The Orthodox Church in America Pension Plan (Plan EIN: 06-1455789)	Actuarial present value of accumulated plan benefits	Fair value of plan assets	Total net contributions	Funded Status
2020	\$ 55,086,863	\$ 26,326,678	\$ 2,672,980	47.79%
2019	\$ 55,648,391	\$ 24,957,647	\$ 2,642,534	44.85%

OTHER RETIREMENT BENEFITS:

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 America Pension Plan, and will continue until the former employee's death. Payments related to this agreement amounted to \$11,400 for each of the years ended December 31, 2020 and 2019. The actuarially calculated liability for future payments under this obligation amounted to approximately \$37,000 each year.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8. PAYCHECK PROTECTION PROGRAM LOAN

In April of 2020, the Church received loan proceeds in the amount of \$194,720 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (Cares “Act”), provides for loans to qualifying business. The loans and accrued interest are forgivable after eight to twenty-four weeks as long as the borrower uses the loans proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight to twenty-four-week period.

At December 31, 2020, the Church was informed by letter from the Small Business Administration that the entire amount of the PPP loan was forgiven. The loan amount, plus accrued interest which was also forgiven, is included in other revenue on the statement of activities.

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Net assets with donor restrictions, time and purposes were available for the following purposes as of December 31, 2020 and 2019:

	2019	Additions/ Investment Activities	Release	2020
Mission churches	\$ 1,085,810	\$ 113,758	\$ -	\$ 1,199,568
Thriving in ministries	413,777	4,800	69,415	349,162
Archives fund	90,961	-	-	90,961
Restricted endowments				
excess earnings	367,812	177,182	23,295	521,699
General purpose endowment				
excess earnings	207,028	72,263	13,377	265,914
Charity	69,601	-	-	69,601
Theological education -				
academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	5,638	2,731	2,731	5,638
Mission planting	-	50,000	-	50,000
Youth director	43,126	1,750	8,994	35,882
Other	(475)	13,273	7,218	5,580
	<u>\$ 2,372,134</u>	<u>\$ 435,757</u>	<u>\$ 125,030</u>	<u>2,682,861</u>
Donor restricted endowment funds				
General purposes				244,120
Restricted purposes				776,762
Charitable remainder unitrust				28,328
Total net assets with donor restrictions				<u>\$ 3,732,071</u>

See independent auditors’ report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

	2018	Additions/ Investment Activities	Release	2019
Mission churches	\$ 878,320	\$ 207,490	\$ -	\$ 1,085,810
Thriving in ministries	470,698	-	56,921	413,777
Archives fund	106,954	-	15,993	90,961
Restricted endowments				
excess earnings	228,648	139,164	-	367,812
General purpose endowment				
excess earnings	131,571	75,457	-	207,028
Charity	68,923	695	17	69,601
Theological education -				
academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	4,760	878	-	5,638
Youth director	-	54,907	11,781	43,126
Other	-	18,294	18,769	(475)
	<u>\$ 1,978,730</u>	<u>\$ 496,885</u>	<u>\$ 103,481</u>	<u>2,372,134</u>
Donor restricted endowment funds				
General purposes				240,736
Restricted purposes				775,762
Charitable remainder unitrust				<u>30,360</u>
Total net assets with donor restrictions				<u>\$ 3,418,992</u>

NOTE 10. 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 Church classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the 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 is classified as donor-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.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10. ENDOWMENTS (continued)

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 would be reported in net assets without donor restrictions and that future gains be allocated to net assets without donor restrictions until such losses have been restored.

The following represents a detail of the donor-restricted endowment net asset composition:

	With Purpose Restrictions	To be Held in Perpetuity	Total
Donor restricted endowments for 2020:			
General purposes	\$ 265,914	\$ 244,120	\$ 510,034
Restricted purposes	521,699	776,762	1,298,461
Total endowment funds	<u>\$ 787,613</u>	<u>\$ 1,020,882</u>	<u>\$ 1,808,495</u>
Endowment net assets, January 1, 2020	<u>\$ 574,840</u>	<u>\$ 1,016,498</u>	<u>\$ 1,591,338</u>
Investment return:			
Interest and dividend income, net of fees	27,899	-	27,899
Realized and unrealized gains	184,874	-	184,874
Total investment return	212,773	-	212,773
Contributions	-	4,384	4,384
Endowment net assets, December 31, 2020	<u>\$ 787,613</u>	<u>\$ 1,020,882</u>	<u>\$ 1,808,495</u>
	With Purpose Restrictions	To be Held in Perpetuity	Total
Donor restricted endowments for 2019:			
General purposes	\$ 207,028	\$ 240,736	\$ 447,764
Restricted purposes	367,812	775,762	1,143,574
Total endowment funds	<u>\$ 574,840</u>	<u>\$ 1,016,498</u>	<u>\$ 1,591,338</u>
Endowment net assets, January 1, 2019	<u>\$ 360,219</u>	<u>\$ 1,013,303</u>	<u>\$ 1,373,522</u>
Investment return:			
Interest and dividend income, net of fees	33,552	-	33,552
Realized and unrealized losses	181,069	-	181,069
Total investment return	214,621	-	214,621
Contributions	-	3,195	3,195
Endowment net assets, December 31, 2019	<u>\$ 574,840</u>	<u>\$ 1,016,498</u>	<u>\$ 1,591,338</u>

NOTE 11. LEASE COMMITMENTS

The Church leased office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$9,118 in 2020 and \$15,775 in 2019. The equipment was returned in 2020.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12. RELATED PARTY TRANSACTIONS

Note receivable consists of a \$150,000 promissory note from the Orthodox Church Capital Improvement Fund. The Promissory Note is dated May 21, 2018, with interest at 2.75%. The note calls for monthly interest only payments of \$344 for 59 months commencing December 20, 2018 with a balloon payment of the principal balance of \$150,000 due December 20, 2023.

NOTE 13. CONTINGENCIES

The Church, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Church is not aware of any claims or contingencies, which are not covered by insurance that would have a material adverse effect on the Church's financial position, changes in net assets or cash flows.

NOTE 14. CONCENTRATION OF CREDIT RISK

The Church maintains all of its cash, cash equivalents and investments in high credit quality financial intuitions. Accounts at the institutions are either insured by the Federal Depository Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). The FDIC insured limit for the years ended December 31, 2020 and 2019 was \$250,000. The SIPC insured limit for the years ended December 31, 2020 and 2019 was \$500,000. At December 31, 2020 and 2019, the Church had assets that were in excess of the insured limits.

The Church's revenues are primarily from Diocesan contributions, general supports and investment incomes.

NOTE 15. COVID-19 PANDEMIC

The Church's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, was declared a pandemic by the World Health Organization. The ultimate disruption which will be caused by the outbreak is uncertain; and management, at this time, cannot reasonably estimate the amount of impact it will have on the Organization's financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Church's special events and sponsorship and the possible decline in value of investments owned by the Church.

NOTE 16. SUBSEQUENT EVENTS

The Church has evaluated events and transactions that occurred through November 11, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**THE ORTHODOX CHURCH IN AMERICA
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Orthodox Church in America

We have audited the accompanying financial statements of The Orthodox Church in America (a nonprofit Church), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orthodox Church in America as of December 31, 2019, 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.

Emphasis of Matter – Adopted of New Accounting Principle

As discussed in Note 2 to the financial statements, The Orthodox Church in America has adopted FASB Accounting Standards Update 2016-18, *Restricted Cash*. Our opinion is not modified with respect to this matter.

Other Matters

Adjustments to prior period Financial Statements

The financial statements of The Orthodox Church in America as of December 31, 2018 were audited by other auditors whose report dated October 9, 2019, expressed an unmodified opinion on those financial statements. As described in Note 14 to the financial statements, the Church has adjusted its 2018 financial statements for the correction of an error. The other auditors reported on the financial statements before the restatement.

As part of our audit of the 2019 financial statements, we also audited the correction of an error to the 2018 financial statements as described in Note 14. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to The Orthodox Church in America's 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or provide any form of assurance on the 2018 financial statements as a whole.

A handwritten signature in blue ink that reads "Satty, Levine & Ciacco CPAs PC".

Satty, Levine & Ciacco, CPAs, P.C.

Melville, New York

August 4, 2020

THE ORTHODOX CHURCH IN AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	(Restated) 2018
ASSETS:		
Cash and cash equivalents	\$ 383,990	\$ 271,319
Restricted cash	415,360	124,998
Investments:		
Endowment pool fund	1,432,836	1,202,297
St. Andrew endowment fund	125,152	100,479
FOS endowment fund	86,866	68,887
Missions endowment fund	935,810	731,069
Annuity and unitrust fund	148,091	147,854
	<u>2,728,755</u>	<u>2,250,586</u>
Accounts receivable, net	196,386	193,512
Grant receivable	-	345,700
Note receivable	150,000	150,000
Prepaid expenses	3,500	21,777
Property and equipment, net	341,159	364,832
	<u>\$ 4,219,150</u>	<u>\$ 3,722,724</u>
TOTAL ASSETS		
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 69,314	\$ 46,673
Retirement obligations	37,552	37,552
Annuity and unitrust agreements	106,527	109,479
	<u>213,393</u>	<u>193,704</u>
TOTAL LIABILITIES		
NET ASSETS:		
Without donor restrictions		
Undesignated	245,606	147,967
Invested in property and equipment	341,159	364,832
	<u>586,765</u>	<u>512,799</u>
Total without donor restrictions	586,765	512,799
With donor restrictions	3,418,992	3,016,221
	<u>4,005,757</u>	<u>3,529,020</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,219,150</u>	<u>\$ 3,722,724</u>

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT, REVENUES AND RECLASSIFICATIONS			
Support:			
Diocesan contributions	\$ 1,725,504	\$ -	\$ 1,725,504
General contributions	6,765	3,383	10,148
SOCA	68,075	8,654	76,729
Missions	-	2,275	2,275
Seminary	-	878	878
Charity	-	696	696
Donated services	3,980	-	3,980
Total support	1,804,324	15,886	1,820,210
Revenues:			
Interest and dividends	94	58,478	58,572
Investment income, net	-	421,296	421,296
Other revenue	18,395	1,225	19,620
Total revenues	18,489	480,999	499,488
Reclassifications:			
Net assets released from restrictions	103,481	(103,481)	-
Total operating support, revenue and reclassifications	1,926,294	393,404	2,319,698
EXPENSES:			
Program services	605,335	-	605,335
General and administrative	1,180,637	-	1,180,637
Development	66,356	-	66,356
Total expenses	1,852,328	-	1,852,328
Change in net assets from operations	73,966	393,404	467,370
Nonoperating activities			
Change in actuarial value of annuities and unitrusts	-	2,952	2,952
Investment income, net	-	6,415	6,415
Total operating activities	-	9,367	9,367
Change in net assets	73,966	402,771	476,737
Net assets at beginning of year (restated)	512,799	3,016,221	3,529,020
Net assets at end of year	\$ 586,765	\$ 3,418,992	\$ 4,005,757

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	(Restated) Total
OPERATING SUPPORT, REVENUES AND RECLASSIFICATIONS			
Support:			
Diocesan contributions	\$ 1,722,724	\$ -	\$ 1,722,724
General contributions	97,296	3,376	100,672
SOCA	-	74,703	74,703
Grants	-	519,700	519,700
Missions	-	1,625	1,625
Seminary	-	5,284	5,284
Charity	-	1,120	1,120
Donated services	5,260	-	5,260
Total support	1,825,280	605,808	2,431,088
Revenues:			
All-American council income	-	422,436	422,436
Interest and dividends	90	57,515	57,605
Investment income, net	-	(299,315)	(299,315)
Other revenue	29,428	-	29,428
Total revenues	29,518	180,636	210,154
Reclassifications:			
Net assets released from restrictions	601,149	(601,149)	-
Total operating support, revenue and reclassifications	2,455,947	185,295	2,641,242
Expenses:			
Program services	1,014,642	-	1,014,642
General and administrative	1,244,489	-	1,244,489
Development	101,092	-	101,092
Total expenses	2,360,223	-	2,360,223
Change in net assets from operations	95,724	185,295	281,019
Nonoperating activities			
Change in actuarial value of annuities and unitrusts	-	5,010	5,010
Investment income, net	-	(1,635)	(1,635)
Total operating activities	-	3,375	3,375
Change in net assets	95,724	188,670	284,394
Net assets at beginning of year	417,075	2,827,551	3,244,626
Net assets at end of year	\$ 512,799	\$ 3,016,221	\$ 3,529,020

See independent auditors' report and notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	PROGRAM SERVICES							SUPPORTING SERVICES			TOTAL
	Departmental Ministries	History and Archives	External Affairs	Education and committees	Missions and Grants	Other	Total Program Services	Management and General	Development	Total Supporting Services	
EXPENSES:											
Salaries, wages and benefits	\$ 57,625	\$ 110,322	\$ 38,887	\$ 44,695	\$ -	\$ 81,744	\$ 333,273	\$ 758,840	\$ 28,560	\$ 787,400	\$ 1,120,673
Transportation, travel, meals and related expenses	24,985	133	13,404	1,655	-	52,289	92,466	120,608	-	120,608	213,074
Professional fees and other outside services	20,865	12,136	-	19,060	-	2,999	55,060	44,282	33,000	77,282	132,342
Scholarships, grants and other assistance	3,000	-	-	-	36,000	25,896	64,896	-	-	-	64,896
Equipment, supplies and other religious materials	3,548	4,370	1,835	261	-	2,989	13,003	39,438	1,256	40,694	53,697
Repairs and maintenance	-	-	-	-	-	-	-	41,048	-	41,048	41,048
Utilities	-	-	-	-	-	37	37	25,691	-	25,691	25,728
Telephone	1,275	-	2,365	-	-	334	3,974	19,511	2,415	21,926	25,900
Insurance	-	-	-	-	-	-	-	43,436	-	43,436	43,436
Printing, postage and delivery services	-	-	-	37	-	7,940	7,977	8,771	1,125	9,896	17,873
Dues, fee and subscriptions	15,226	200	11,224	37	-	-	26,687	3,495	-	3,495	30,182
Conferences and meetings	4,669	-	3,191	-	-	-	7,860	1,144	-	1,144	9,004
Bank charges	-	-	-	75	-	27	102	2,307	-	2,307	2,409
Depreciation expense	-	-	-	-	-	-	-	29,077	-	29,077	29,077
Facility payment in lieu of taxes	-	-	-	-	-	-	-	40,103	-	40,103	40,103
Payroll processing fees	-	-	-	-	-	-	-	2,886	-	2,886	2,886
TOTAL EXPENSES	\$ 131,193	\$ 127,161	\$ 70,906	\$ 65,820	\$ 36,000	\$ 174,255	\$ 605,335	\$ 1,180,637	\$ 66,356	\$ 1,246,993	\$ 1,852,328

See independent auditors' report and notes to financial statements.

**THE ORTHODOX CHURCH IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	PROGRAM SERVICES							SUPPORTING SERVICES				TOTAL
	All-American Council	Departmental Ministries	History and Archives	External Affairs	Education and committees	Missions and Grants	Other	Total Program Services	Management and General	Development	Total Supporting Services	
EXPENSES:												
Salaries, wages and benefits	\$ 10,625	\$ 53,700	\$ 102,978	\$ 38,770	\$ 50,805	\$ -	\$ 14,227	\$ 271,105	\$ 795,490	\$ -	\$ 795,490	\$ 1,066,595
Transportation, travel, meals and related expenses	262,016	7,920	543	15,988	6,838	-	64,452	357,757	123,277	-	123,277	481,034
Professional fees and other outside services	26,929	7,940	1,250	-	19,025	-	48,433	103,577	55,878	93,215	149,093	252,670
Scholarships, grants and other assistance	13,605	-	-	-	-	95,333	27,207	136,145	20	-	20	136,165
Equipment, supplies and other religious materials	12,510	1,490	375	-	-	-	69,932	84,307	53,522	6,999	60,521	144,828
Repairs and maintenance	-	-	-	-	-	-	-	-	41,644	-	41,644	41,644
Utilities	-	-	-	-	-	-	29	29	27,394	-	27,394	27,423
Telephone	402	991	-	4,550	-	-	376	6,319	14,329	878	15,207	21,526
Advertising	-	-	-	-	-	-	-	-	375	-	375	375
Insurance	-	-	-	-	-	-	-	-	43,495	-	43,495	43,495
Printing, postage and delivery services	8,422	468	-	-	-	-	1,281	10,171	11,974	-	11,974	22,145
Dues, fee and subscriptions	-	14,063	180	10,853	-	-	-	25,096	5,338	-	5,338	30,434
Conferences and meetings	17,898	1,863	-	300	-	-	-	20,061	2,565	-	2,565	22,626
Bank charges	49	-	-	-	-	-	26	75	5,693	-	5,693	5,768
Depreciation expense	-	-	-	-	-	-	-	-	19,931	-	19,931	19,931
Facility payment in lieu of taxes	-	-	-	-	-	-	-	-	40,102	-	40,102	40,102
Payroll processing fees	-	-	-	-	-	-	-	-	3,462	-	3,462	3,462
TOTAL EXPENSES	\$ 352,456	\$ 88,435	\$ 105,326	\$ 70,461	\$ 76,668	\$ 95,333	\$ 225,963	\$ 1,014,642	\$ 1,244,489	\$ 101,092	\$ 1,345,581	\$ 2,360,223

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	(Restated) 2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 476,737	\$ 284,394
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	29,077	19,931
Net (appreciation) depreciation in fair market value of investments	(330,714)	284,907
Net change in actuarial value of annuities and unitrusts	(2,952)	(5,010)
(Increase) decrease in:		
Accounts receivable	(2,874)	80,934
Grant receivable	345,700	(345,700)
Prepaid expenses	18,277	(1,551)
Increase (decrease) in:		
Accounts payable and accrued expenses	22,641	(122,975)
Retirement obligations	-	(448)
TOTAL ADJUSTMENTS	<u>79,155</u>	<u>(89,912)</u>
Net cash provided by operating activities	<u>555,892</u>	<u>194,482</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions of property and equipment	(5,404)	(99,294)
Note receivable	-	(150,000)
Proceeds from sale of investments	587,645	758,524
Purchase of investments	<u>(735,100)</u>	<u>(650,307)</u>
Net cash (used in) investing activities	<u>(152,859)</u>	<u>(141,077)</u>
Net increase in cash and restricted cash	403,033	53,405
Cash and restricted cash - beginning of year	<u>396,317</u>	<u>342,912</u>
Cash and restricted cash - end of year	<u><u>\$ 799,350</u></u>	<u><u>\$ 396,317</u></u>

See independent auditors' report and notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1. ORGANIZATION AND BASIS OF ACCOUNTING AND PRESENTATION

A. 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.

B. BASIS OF ACCOUNTING

The financial statements of the Church have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

C. BASIS OF PRESENTATION

The financial statements of The Orthodox Church in America have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require The Orthodox Church in America to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of The Orthodox Church in America's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Orthodox Church in America or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

D. MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to The Orthodox Church in America's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

The Church considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

B. INVESTMENTS

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

C. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Church groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets and liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- 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.
- Inputs other than quoted prices that are observable for the asset/liability.
- Inputs that are derived principally from, or corroborated by, other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

D. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the 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. Management has determined that no allowance is needed at December 31, 2019 and 2018.

E. PROPERTY AND EQUIPMENT

Building and equipment are stated at cost or at their estimated fair market value if donated. Costs in excess of \$3,000 and the value of donated property and equipment are capitalized. Depreciation is provided on the straight-line method over the estimated useful life of the asset. The estimated useful lives of assets are as follows:

Building and improvements	5-40 years
Furniture, fixtures and equipment	5-7 years
Auto and truck	3-10 years
Software	5-7 years

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 net assets with donor restrictions or net assets without donor restrictions, 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.

G. CONTRIBUTIONS AND DIOCESAN ASSESSMENTS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Diocesan contributions or assessments are recorded as revenue in the year the dioceses are assessed. Such revenue is calculated and assessed based upon an approved percentage of each diocese's budget.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CONTRIBUTED SERVICES

Contributed services are recognized as contributions at their estimated fair value in accordance with the Financial Accounting Standards Board authoritative guidance on *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased.

For the years ended December 31, 2019 and 2018, The Orthodox Church in America received donated professional services in the amount of approximately \$3,980 and \$5,260, respectively.

I. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and benefits	Time and effort
Transportation, travel, meals and related expenses	Actual or time and effort
Professional fees and other outside services	Actual or time and effort
Scholarship, grants and other assistance	Actual
Other	Actual, square footage or time and effort

J. USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

K. 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, 2019 and 2018.

L. INCOME TAXES

The Church is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the code.

The most significant tax positions of the Church are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. RECLASSIFICATION

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

N. 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 \$72,245 at December 31, 2019 (\$76,120 in 2018). The present value of the remaining future liability to be distributed by the Church amounted to \$61,042 in 2019 and \$65,279 in 2018.

O. 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 contributions with donor restrictions 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 \$75,846 at December 31, 2019 (\$71,734 at December 31, 2018). 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 \$45,485 at December 31, 2019 (\$44,200 at December 31, 2018).

P. NEWLY ADOPTED ACCOUNTING PRINCIPLES

Effective January 1, 2019, the Church adopted Accounting Standards Update 2016-18, *Restricted Cash*, which prescribed that amounts generally described as restricted cash are required to be included in the total cash and cash equivalents on the statement of cash flows. The total must reconcile to the same amounts on the statement of financial position. The effect of the adoption of this standard was to include the restricted cash portion in the beginning of the years' total cash shown on the statements of cash flows by \$124,998.

The Church has adopted and applied retrospectively to all periods presented the standard to the financial statements and thus has provided the following reconciliation:

	2019	2018
Cash	\$ 383,990	\$ 271,319
Restricted cash	415,360	124,998
Total cash and restricted cash accounts shown in the statement of cash flows	<u>\$ 799,350</u>	<u>\$ 396,317</u>

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance clarifies the definition of an exchange transaction and the criteria for evaluating whether contributions are unconditional or conditional. ASU 2018-08 was applied on a modified prospective basis to agreements that were not completed at January 1, 2019, or that were entered into after that date. The guidance under the ASU did not have a significant impact on the Church's financial statements.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents The Orthodox Church in America's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 383,990	\$ 271,319
Restricted cash	415,360	124,998
Investments	2,728,755	2,250,586
Accounts receivable, net	196,386	193,512
Grant receivable	-	345,700
Total financial assets	<u>3,724,491</u>	<u>3,186,115</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>3,418,992</u>	<u>3,016,221</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 305,499</u>	<u>\$ 169,894</u>

The Church's goal is generally to maintain financial assets to meet the general operating expenses.

NOTE 4. RESTRICTED CASH

The cash is restricted for the purpose of the thriving in ministry initiative grant. Restricted cash at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Restricted cash - Thriving in ministry program	<u>\$ 415,360</u>	<u>\$ 124,998</u>

NOTE 5. INVESTMENTS

Investments are reported at fair value in accordance with authoritative guidance issued by the Financial Accounting Standards Board on *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Fair value is determined by using quoted market prices, where available. When quoted market prices are not available, the present value of estimated or expected future cash flows or another reasonable method is used.

Investments as of December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Corporate equity securities	\$ 2,078,111	\$ 1,577,850
Money market funds	444,529	493,893
Fixed income securities	60,849	19,741
Mutual funds	73,021	82,982
Annuity investments	72,245	76,120
	<u>\$ 2,728,755</u>	<u>\$ 2,250,586</u>

At December 31, 2019 and 2018, all investments were considered level 1 investments, except for the annuity investments which were considered level 2 investments.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Land (non-depreciable)	\$ 45,000	\$ 45,000
Archive room improvements in progress (non-depreciable)	104,067	104,067
Building and improvements	570,508	570,508
Furniture, fixtures and equipment	200,787	195,384
Software	33,000	33,000
Total property and equipment	<u>953,362</u>	<u>947,959</u>
Less: Accumulated depreciation	<u>(612,203)</u>	<u>(583,127)</u>
Property and equipment, net	<u>\$ 341,159</u>	<u>\$ 364,832</u>

NOTE 7. EMPLOYEE BENEFIT PLANS

PENSION PLANS:

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 \$54,451 in 2019 and \$57,762 in 2018. The contribution made by the Church represented approximately 2.06% and 2.25% of the total contributions made to the Plan in December 31, 2019 and 2018, 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.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7. EMPLOYEE BENEFIT PLANS (continued)

The following table discloses the name and funded status of the Plan as of January 1, 2020 and 2019 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as December 31, 2019 and 2018:

The Orthodox Church in America Pension Plan (Plan EIN: 06-1455789)	Actuarial present value of accumulated plan benefits	Fair value of plan assets	Total net contributions	Funded Status
2019	\$ 55,648,391	\$ 24,957,647	\$ 2,642,534	44.85%
2018	\$ 52,989,527	\$ 22,081,351	\$ 2,567,215	41.67%

OTHER RETIREMENT BENEFITS:

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 America Pension Plan, and will continue until the former employee's death. Payments related to this agreement amounted to \$11,400 for each of the years ended December 31, 2019 and 2018. The actuarially calculated liability for future payments under this obligation amounted to approximately \$37,000 each year.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Net assets with donor restrictions, time and purposes were available for the following purposes as of December 31, 2019 and 2018:

	2018	Additions/ Investment Activities	Release	2019
Mission churches	\$ 878,320	\$ 207,490	\$ -	\$ 1,085,810
Thriving in ministries	470,698	-	56,921	413,777
Archives fund	106,954	-	15,993	90,961
Restricted endowments excess earnings	228,648	139,164	-	367,812
General purpose endowment excess earnings	131,571	75,457	-	207,028
Charity	68,923	695	17	69,601
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	4,760	878	-	5,638
Youth director		54,907	11,781	43,126
Other	-	18,294	18,769	(475)
	<u>\$ 1,978,730</u>	<u>\$ 496,885</u>	<u>\$ 103,481</u>	<u>2,372,134</u>
Donor restricted endowment funds				
General purposes				240,736
Restricted purposes				775,762
Charitable remainder unitrust				30,360
Total net assets with donor restrictions				<u>\$ 3,418,992</u>

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

	2017	Additions/ Investment Activities	Release	2018
Mission churches	\$ 952,143	\$ 21,510	\$ 95,333	\$ 878,320
Thriving in ministries	-	470,698	-	470,698
Archives fund	174,304	-	67,350	106,954
Restricted endowments				
excess earnings	296,822	(68,174)	-	228,648
General purpose endowment				
excess earnings	164,668	(33,097)	-	131,571
Charity	70,803	1,120	3,000	68,923
Theological education -				
academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	2,677	5,285	3,202	4,760
All-American council		422,436	422,436	-
Other	43,162	(33,334)	9,828	-
	<u>\$ 1,793,435</u>	<u>\$ 786,444</u>	<u>\$ 601,149</u>	<u>1,978,730</u>
Donor restricted endowment funds				
General purposes				237,541
Restricted purposes				775,762
Charitable remainder unitrust				24,188
Total net assets with donor restrictions				<u>\$ 3,016,221</u>

NOTE 9. 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 Church classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the 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 is classified as donor-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.

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9. ENDOWMENTS (continued)

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 would be reported in net assets without donor restrictions and that future gains be allocated to net assets without donor restrictions until such losses have been restored.

The following represents a detail of the donor-restricted endowment net asset composition:

	With Purpose Restrictions	To be Held in Perpetuity	Total
Donor restricted endowments for 2019:			
General purposes	\$ 207,028	\$ 240,736	\$ 447,764
Restricted purposes	367,812	775,762	1,143,574
Total endowment funds	<u>\$ 574,840</u>	<u>\$ 1,016,498</u>	<u>\$ 1,591,338</u>
Endowment net assets, January 1, 2019	<u>\$ 360,219</u>	<u>\$ 1,013,303</u>	<u>\$ 1,373,522</u>
Investment return:			
Interest and dividend income, net of fees	33,552	-	33,552
Realized and unrealized gains	181,069	-	181,069
Total investment return	214,621	-	214,621
Contributions	-	3,195	3,195
Endowment net assets, December 31, 2019	<u>\$ 574,840</u>	<u>\$ 1,016,498</u>	<u>\$ 1,591,338</u>
	With Purpose Restrictions	To be Held in Perpetuity	Total
Donor restricted endowments for 2018:			
General purposes	\$ 131,571	\$ 237,541	\$ 369,112
Restricted purposes	228,648	775,762	1,004,410
Total endowment funds	<u>\$ 360,219</u>	<u>\$ 1,013,303</u>	<u>\$ 1,373,522</u>
Endowment net assets, January 1, 2018	<u>\$ 316,020</u>	<u>\$ 1,009,928</u>	<u>\$ 1,325,948</u>
Investment return:			
Interest and dividend income, net of fees	124,880	-	124,880
Realized and unrealized losses	(80,681)	-	(80,681)
Total investment return	44,199	-	44,199
Contributions	-	3,375	3,375
Endowment net assets, December 31, 2018	<u>\$ 360,219</u>	<u>\$ 1,013,303</u>	<u>\$ 1,373,522</u>

NOTE 10. LEASE COMMITMENTS

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$15,775 in 2019 and \$19,840 in 2018. Estimated future minimum lease payments by year and in the aggregate under the leases consist of the following:

<u>December 31,</u>	
2020	<u>\$ 6,435</u>

See independent auditors' report.

THE ORTHODOX CHURCH IN AMERICA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11. RELATED PARTY TRANSACTIONS

Note receivable consists of a \$150,000 promissory note from the Orthodox Church Capital Improvement Fund. The Promissory Note is dated May 21, 2018, with interest at 2.75%. The note calls for monthly interest only payments of \$343.75 for 59 months commencing December 20, 2018 with a balloon payment of the principal balance of \$150,000 due December 20, 2023.

NOTE 12. CONTINGENCIES

The Church, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of the Church is not aware of any claims or contingencies, which are not covered by insurance that would have a material adverse effect on the Church's financial position, changes in net assets or cash flows.

NOTE 13. CONCENTRATION OF CREDIT RISK

The Church maintains all of its cash, cash equivalents and investments in high credit quality financial intuitions. Accounts at the institutions are either insured by the Federal Depository Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). The FDIC insured limit for the years ended December 31, 2019 and 2018 was \$250,000. The SIPC insured limit for the years ended December 31, 2019 and 2018 was \$500,000. At December 31, 2019 and 2018, the Church had assets that were in excess of the insured limits.

The Church's revenues are primarily from Diocesan contributions, general supports and investment incomes.

NOTE 14. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2019, management discovered that the accounts payable was overstated by \$46,559 in the previous year. The effect of the restatement on the financial statements was to increase beginning net assets and decrease the accounts payable by \$46,559.

NOTE 15. SUBSEQUENT EVENTS

The Church has evaluated events and transactions that occurred through August 4, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

The Church's operations will be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, has been declared a pandemic by the World Health Organization. The ultimate disruption which will be caused by the outbreak is uncertain; and management, at this time, cannot reasonably estimate the amount of impact it will have on the Organization's financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Church's special events and sponsorship and the possible decline in value of investments owned by the Church.

THE ORTHODOX CHURCH IN AMERICA

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

THE ORTHODOX CHURCH IN AMERICA

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DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, the related statements of activities, functional expenses, 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 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 The Orthodox Church in America as of December 31, 2018 and 2017, 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.

Other matters

Adoption of new accounting guidance:

As discussed in Note 2 to the financial statements, in 2018, The Orthodox Church in America adopted new accounting guidance related to the presentation of financial statements of not-for-profit entities. Our report is not modified with respect to this matter.

D'Arcangelo & Co., LLP

Rye Brook, New York
October 9, 2019

THE ORTHODOX CHURCH IN AMERICA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 271,319	\$ 131,807
Restricted cash	124,998	211,105
Assessments and other accounts receivable, net	193,513	274,447
Grant receivable	345,700	-
Prepaid expenses	21,777	20,226
Investments:		
Endowment pool fund	1,202,297	1,303,867
St. Andrew endowment fund	100,479	115,534
FOS endowment fund	68,887	80,297
Missions endowment fund	731,069	990,214
Annuity and unitrust agreements	147,854	157,503
Note receivable	150,000	-
Property and equipment, net	<u>364,832</u>	<u>285,469</u>
Total assets	<u><u>\$ 3,722,725</u></u>	<u><u>\$ 3,570,469</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 93,233	\$ 216,208
Retirement obligation	37,552	38,000
Annuity and unitrust agreements	<u>109,479</u>	<u>118,194</u>
Total liabilities	<u>240,264</u>	<u>372,402</u>
Net assets:		
Without donor restrictions:		
Undesignated	101,408	85,047
Invested in property and equipment	<u>364,832</u>	<u>285,469</u>
Total without donor restrictions	466,240	370,516
With donor restrictions	<u>3,016,221</u>	<u>2,827,551</u>
Total net assets	<u>3,482,461</u>	<u>3,198,067</u>
Total liabilities and net assets	<u><u>\$ 3,722,725</u></u>	<u><u>\$ 3,570,469</u></u>

THE ORTHODOX CHURCH IN AMERICA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS			
Support:			
General contributions	\$ 88,634	\$ 3,376	\$ 92,010
Fellowship of Orthodox Stewards	-	74,703	74,703
Grants	-	519,700	519,700
Missions	-	1,625	1,625
Seminary	-	5,284	5,284
Charity	-	1,120	1,120
Donated services	5,260	-	5,260
Total support	<u>93,894</u>	<u>605,808</u>	<u>699,702</u>
Revenue:			
Assessments	1,722,724	-	1,722,724
All-American Council income	-	422,436	422,436
Net investment income	90	(12,383)	(12,293)
Change in actuarial value of annuities and unitrusts	-	(226,042)	(226,042)
Other revenue	29,428	-	29,428
Total revenue	<u>1,752,242</u>	<u>184,011</u>	<u>1,936,253</u>
Reclassifications:			
Satisfaction of restrictions	601,149	(601,149)	-
Total operating support, revenue and reclassifications	<u>2,447,285</u>	<u>188,670</u>	<u>2,635,955</u>
Expenses:			
Program services	919,400	-	919,400
General and administrative	1,214,759	-	1,214,759
Development	217,402	-	217,402
Total expenses	<u>2,351,561</u>	<u>-</u>	<u>2,351,561</u>
Change in net assets	95,724	188,670	284,394
Net assets, beginning of year	370,516	2,827,551	3,198,067
Net assets, end of year	<u>\$ 466,240</u>	<u>\$ 3,016,221</u>	<u>\$ 3,482,461</u>

See notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS			
Support:			
General contributions	\$ 186,272	\$ 2,765	\$ 189,037
Fellowship of Orthodox Stewards	-	61,092	61,092
Missions	-	2,820	2,820
Seminary	-	2,410	2,410
Charity	-	2,359	2,359
Donated services	39,900	-	39,900
Total support	<u>226,172</u>	<u>71,446</u>	<u>297,618</u>
Revenue:			
Assessments	1,797,836	-	1,797,836
All-American Council income	-	12,050	12,050
Net investment income	85	(12,189)	(12,104)
Change in actuarial value of annuities and unitrusts	-	260,135	260,135
Other revenue	31,832	-	31,832
Total revenue	<u>1,829,753</u>	<u>259,996</u>	<u>2,089,749</u>
Reclassifications:			
Satisfaction of restrictions	204,278	(204,278)	-
Total operating support, revenue and reclassifications	<u>2,260,203</u>	<u>127,164</u>	<u>2,387,367</u>
Expenses:			
Program services	641,633	-	641,633
General and administrative	1,191,943	-	1,191,943
Development	182,589	-	182,589
Total expenses	<u>2,016,165</u>	<u>-</u>	<u>2,016,165</u>
Change in net assets	244,038	127,164	371,202
Net assets, beginning of year	126,478	2,700,387	2,826,865
Net assets, end of year	<u>\$ 370,516</u>	<u>\$2,827,551</u>	<u>\$3,198,067</u>

See notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018
with comparative totals for 2017

	Program	General and Administrative	Development	2018 Total	2017 Total
Administration	\$ 20	\$ 450,600	\$ 20,794	\$ 471,414	\$ 528,285
Executive	-	420,767	-	420,767	427,389
Archives	105,326	-	-	105,326	108,223
External Affairs	70,460	-	-	70,460	70,181
Chapel	12,137	-	-	12,137	15,930
Property Support	9,966	222,679	9,966	242,611	222,095
Communications	-	-	101,092	101,092	70,734
Holy Synod	20,646	20,646	20,645	61,937	61,634
Metropolitans Office	22,793	22,793	22,793	68,379	60,130
Metropolitans Council	-	36,321	-	36,321	33,985
St. Catherine's Representation					
Church	40,954	40,953	40,954	122,861	55,854
Stewards of the OCA	-	-	1,158	1,158	853
Charity	3,006	-	-	3,006	5,063
Board of Theological Education	5,351	-	-	5,351	736
Missions and Planting Grants	95,333	-	-	95,333	124,621
Ordination Candidate Testing	4,910	-	-	4,910	15,071
Office for Review of Sexual					
Misconduct Allegations	53,156	-	-	53,156	84,821
Continuing Education Expenses	13,250	-	-	13,250	10,725
Seminaries	21,202	-	-	21,202	9,324
All-American Council	352,455	-	-	352,455	21,988
Departmental Ministries	88,435	-	-	88,435	88,523
	<u>\$ 919,400</u>	<u>\$ 1,214,759</u>	<u>\$ 217,402</u>	<u>\$ 2,351,561</u>	<u>\$2,016,165</u>

THE ORTHODOX CHURCH IN AMERICA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Total</u>
Administration	\$ 16,925	\$ 469,860	\$ 41,500	\$ 528,285
Executive	-	427,389	-	427,389
Archives	108,223	-	-	108,223
External Affairs	70,181	-	-	70,181
Chapel	15,930	-	-	15,930
Property Support	10,296	201,503	10,296	222,095
Communications	-	-	70,734	70,734
Holy Synod	20,545	20,545	20,544	61,634
Metropolitans Office	20,043	20,043	20,044	60,130
Metropolitans Council	-	33,985	-	33,985
St. Catherine's Representation Church	18,618	18,618	18,618	55,854
Stewards of the OCA	-	-	853	853
Charity	5,063	-	-	5,063
Board of Theological Education	736	-	-	736
Missions and Planting Grants	124,621	-	-	124,621
Ordination Candidate Testing	15,071	-	-	15,071
Office for Review of Sexual Misconduct Allegations	84,821	-	-	84,821
Continuing Education Expenses	10,725	-	-	10,725
Seminaries	9,324	-	-	9,324
All-American Council	21,988	-	-	21,988
Departmental Ministries	88,523	-	-	88,523
	<u>\$ 641,633</u>	<u>\$ 1,191,943</u>	<u>\$ 182,589</u>	<u>\$2,016,165</u>

See notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 284,394	\$ 371,202
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,931	20,593
Net change in actuarial value of annuities and unitrusts	279,897	(229,939)
Changes in:		
Assessments and other accounts receivable, net	80,934	(60,924)
Grants receivable	(345,700)	-
Prepaid expenses	(1,551)	(5,585)
Accounts payable and accrued expenses	(122,975)	84,577
Retirement obligation	(448)	(2,637)
Net cash provided by operating activities	<u>194,482</u>	<u>177,287</u>
Cash flows from investing activities:		
Additions to property and equipment	(99,294)	(71,957)
Note receivable	(150,000)	-
Proceeds from sales of investments	758,524	2,239,400
Purchase of investments	(650,307)	(2,081,753)
Net cash provided by (used in) investing activities	<u>(141,077)</u>	<u>85,690</u>
Cash flows from financing activities:		
Repayment of loan principal	-	(1,764)
Change in cash and cash equivalents	53,405	261,213
Cash and cash equivalents, beginning of year	<u>342,912</u>	<u>81,699</u>
Cash and cash equivalents, end of year	<u><u>\$ 396,317</u></u>	<u><u>\$ 342,912</u></u>
 Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 271,319	\$ 131,807
Restricted cash	<u>124,998</u>	<u>211,105</u>
	<u><u>\$ 396,317</u></u>	<u><u>\$ 342,912</u></u>

See notes to financial statements.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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").

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Adoption of new accounting standard

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU required changes in the way certain information is aggregated and reported by the Church, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Church adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions 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. Net assets without donor restrictions also include resources invested in property and equipment, “underwater” endowments and funds borrowed from endowments for use in operations.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Net assets with donor restrictions 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. These net asset classes carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Net assets with donor restrictions 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.

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.

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.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

2. SUMMARY OF 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. No allowance for uncollectible accounts was deemed necessary by management at December 31, 2018 and 2017.

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 8 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, 2018 AND 2017

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 net assets with donor restrictions or net assets without donor restrictions, 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, 2018 AND 2017

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, 2018 and 2017.

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 \$76,120 at December 31, 2018 (\$79,824 in 2017). The present value of the remaining future liability to be distributed by the Church amounted to \$65,279 in 2018 and \$69,087 in 2017.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 contributions with donor restrictions 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 \$71,734 at December 31, 2018 (\$77,679 at December 31, 2017). 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 \$44,200 at December 31, 2018 (\$49,107 at December 31, 2017).

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. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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 Church incurred no joint costs for the years ending December 31, 2018 and 2017.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 \$5,260 for the year ended December 31, 2018 (\$39,900 in 2017) that meet current accounting standards.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated, based on management's estimate, among the programs and supporting services benefited.

Reclassifications

Certain reclassifications were made to the 2017 financial statements in order to conform to the 2018 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:

	2018	2017
Funds set aside for satisfaction of donor restrictions	\$ 15,718	\$ 23,532
Funds set aside for thriving in ministry program	124,998	-
Unrestricted operating funds	67,741	28,894
Reserve account	178,042	276,680
St. Sergius Chapel account	9,818	13,806
Total	<u>\$ 396,317</u>	<u>\$ 342,912</u>

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

4. ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE:

Assessments and other accounts receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Assessments receivable	\$ 145,493	\$ 208,835
Other accounts receivable	<u>48,020</u>	<u>65,612</u>
Total	<u>\$ 193,513</u>	<u>\$ 274,447</u>

5. GRANT RECEIVABLE:

Grant receivable of \$345,700 is the remaining balance of a \$470,700 grant awarded on September 20, 2018 to help support the thriving in ministry initiative program. \$125,000 of the grant was received in December 2018 and \$345,700 was received in January 2019. The funding is to be expended over a five year period covering 2019 to 2023.

6. RESTRICTED CASH:

For 2018, restricted cash amounting to \$124,998 consists of cash received in December 2018 of the restricted grant amounting to \$125,000 less bank fees of \$2 from the thriving in ministry initiative grant described in Note 5. For 2017, restricted cash amounting to \$211,105 consisted of a transfer from a previous investment fund used for improvements and updates to the archives room.

7. RELATED PARTY NOTE RECEIVABLE:

Note receivable consists of a \$150,000 promissory note from the Orthodox Church Capital Improvement Fund. The Promissory Note is dated May 21, 2018, with interest at 2.75%. The note calls for monthly interest only payments of \$343.75 for 59 months commencing December 20, 2018 with a balloon payment of the principal balance of \$150,000 due December 20, 2023.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS:

FASB ASC 820, "*Fair Value Measurements*", establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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;
- other inputs 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 December 31, 2018 and 2017.

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

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS (continued):

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, 2018 AND 2017

8. 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, 2018 and 2017.

Assets at fair value as of December 31, 2018				
	Fair value	Level 1	Level 2	Level 3
Corporate equity securities	\$ 1,577,850	\$ 1,577,850	\$ -	\$ -
Money market funds	493,983	493,983	-	-
U.S. Government agency obligations	19,741	19,741	-	-
Mutual funds	82,892	82,892	-	-
Annuity investments	76,120	-	76,120	-
	<u>\$ 2,250,586</u>	<u>\$ 2,174,466</u>	<u>\$ 76,120</u>	<u>\$ -</u>

Assets at fair value as of December 31, 2017				
	Fair value	Level 1	Level 2	Level 3
Corporate equity securities	\$ 1,623,036	\$ 1,623,036	\$ -	\$ -
Money market funds	849,297	849,297	-	-
U.S. Government agency obligations	19,741	19,741	-	-
Mutual funds	75,517	75,517	-	-
Annuity investments	79,824	-	79,824	-
	<u>\$ 2,647,415</u>	<u>\$ 2,567,591</u>	<u>\$ 79,824</u>	<u>\$ -</u>

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

8. FAIR VALUE MEASUREMENTS (continued):

Investment income consists of the following:

	2018	2017
Interest and dividends	\$ 90	\$ 85
Investment fees	(12,383)	(12,189)
	<u>\$ (12,293)</u>	<u>\$ (12,104)</u>

9. 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.

10. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	2018	2017
Land	\$ 45,000	\$ 45,000
Buildings and improvements	570,508	552,109
Archive room improvements in progress	104,067	36,717
Furniture, fixtures, and equipment	195,384	181,838
Software	33,000	33,000
	<u>947,959</u>	<u>848,664</u>
Less: accumulated depreciation	<u>(583,127)</u>	<u>(563,195)</u>
Total	<u>\$ 364,832</u>	<u>\$ 285,469</u>

Depreciation expense amounted to \$19,931 in 2018 and \$20,593 in 2017.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

11. LEASE COMMITMENTS:

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$19,840 in 2018 and \$20,773 in 2017. Estimated future minimum lease payments by year and in the aggregate under the leases consist of the following:

<u>Year ending December 31,</u>	
2019	\$ 13,008
2020	6,435

12. 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 America Pension Plan, and will continue until the former employee's death. Payments related to this agreement amounted to \$11,400 for each of the years ended December 31, 2018 and 2017. The actuarially calculated liability for future payments under this obligation amounted to \$37,552 in 2018 and \$38,000 in 2017.

13. 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.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

13. MULTIPLE EMPLOYER PENSION PLAN (continued):

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 \$57,762 in 2018 and \$51,995 in 2017. The contribution made by the Church represented approximately 2.25% and 2.11% of the total contributions made to the Plan in 2018 and 2017, 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.

Contributions from all employers and participating employees to the Plan for December 31, 2018 and 2017 are as follows:

Pension Fund:	FEIN	2018	2017
Orthodox Church in America Pension Plan	06-1455789	<u>\$ 2,567,215</u>	<u>\$ 2,465,474</u>

As of December 31, 2018, the Plan's total net assets available for benefits were \$22,589,895 (\$25,879,380 in 2017), and the actuarial present value of accumulated Plan benefits was \$52,989,527 (\$50,971,156 in 2017). As of December 31, 2018 and 2017, the Plan was less than 65% funded.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

14. NET ASSETS WITH DONOR RESTRICTIONS:

Restricted net assets consist of the following:

	December 31,			
	2017	Additions and other changes	Releases	2018
Mission appeal	\$ 952,143	\$ (73,823)	\$ -	\$ 878,320
Archives fund	174,304	-	67,350	106,954
Restricted endowments excess earnings	296,822	(68,174)	-	228,648
General purpose endowment excess earnings	164,668	(33,097)	-	131,571
Charity	70,803	1,120	3,000	68,923
Theological education – academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	2,677	5,285	3,202	4,760
Thriving in ministries	-	470,698	-	470,698
Other restricted purposes	43,162	(43,162)	-	-
	<u>\$ 1,793,435</u>	<u>\$ 258,847</u>	<u>\$ 73,552</u>	<u>\$ 1,978,730</u>

Donor restricted endowments:

General purposes	237,541
Restricted purposes	775,762
Charitable remainder unitrust	24,188

1,037,491

Total net assets with donor restrictions

\$ 3,016,221

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

14. NET ASSETS WITH DONOR RESTRICTIONS (continued):

Restricted net assets consist of the following:

	December 31,			
	2016	Additions and other changes	Releases	2017
Mission appeal	\$ 914,836	\$ 76,637	\$ 39,330	\$ 952,143
Archives fund	210,337	1,818	37,851	174,304
Restricted endowments excess earnings	200,480	96,342	-	296,822
General purpose endowment excess earnings	115,540	49,128	-	164,668
Charity	71,803	2,359	3,359	70,803
Theological education – academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Seminary appeal	2,592	2,410	2,325	2,677
Other restricted purposes	64,592	-	21,430	43,162
	<u>\$ 1,669,036</u>	<u>\$ 228,694</u>	<u>\$ 104,295</u>	<u>\$ 1,793,435</u>
Donor restricted endowments:				
General purposes				234,166
Restricted purposes				775,762
Charitable remainder unitrust				24,188
				<u>1,034,116</u>
Total net assets with donor restrictions				<u>\$ 2,827,551</u>

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

15. ENDOWMENTS:

The Church's endowments consist of approximately 40 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Church classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the 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 is classified as donor-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.

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 would be reported in net assets without donor restrictions and that future gains be allocated to net assets without donor restrictions until such losses have been restored.

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

15. ENDOWMENTS (continued):

Endowment net assets composition by type of fund as of December 31, 2018:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowments for:			
General purposes	\$ 188,256	\$ 368,813	\$ 557,069
Restricted purposes	(59,443)	963,895	904,452
Total endowment funds	<u>\$ 128,813</u>	<u>\$ 1,332,708</u>	<u>\$ 1,461,521</u>

Changes in endowment net assets for the year ended December 31, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2018	<u>\$ 163,360</u>	<u>\$ 1,424,305</u>	<u>\$ 1,587,665</u>
Investment return:			
Interest and dividend income (net of fees)	8,493	16,036	24,529
Realized and unrealized gains	<u>(43,040)</u>	<u>(111,009)</u>	<u>(154,049)</u>
Total investment return	<u>(34,547)</u>	<u>(94,973)</u>	<u>(129,520)</u>
Contributions	<u>-</u>	<u>3,376</u>	<u>3,376</u>
Endowment net assets, December 31, 2018	<u>\$ 128,813</u>	<u>\$ 1,332,708</u>	<u>\$ 1,461,521</u>

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

15. ENDOWMENTS (continued):

Endowment net assets composition by type of fund as of December 31, 2017:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowments for:			
General purposes	\$ 188,256	\$ 421,540	\$ 609,796
Restricted purposes	(24,896)	1,002,765	977,869
Total endowment funds	<u>\$ 163,360</u>	<u>\$ 1,424,305</u>	<u>\$ 1,587,665</u>

Changes in endowment net assets for the year ended December 31, 2017:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2017	<u>\$ 14,184</u>	<u>\$ 1,332,547</u>	<u>\$ 1,346,731</u>
Investment return:			
Interest and dividend income (net of fees)	(1,624)	9,701	8,077
Realized and unrealized losses	<u>43,788</u>	<u>89,531</u>	<u>133,319</u>
Total investment return	<u>42,164</u>	<u>99,232</u>	<u>141,396</u>
Contributions	<u>96,773</u>	<u>2,765</u>	<u>99,538</u>
Other changes:			
Changes in funds with deficiencies	<u>10,239</u>	<u>(10,239)</u>	<u>-</u>
Endowment net assets, December 31, 2017	<u>\$ 163,360</u>	<u>\$ 1,424,305</u>	<u>\$ 1,587,665</u>

THE ORTHODOX CHURCH IN AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

16. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Church has \$464,832 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of \$271,319, and assessments and accounts receivable of \$193,513. None of the financial assets are subject to other donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The assessments and accounts receivable are subject to implied time restrictions but are expected to be collected within one year. The Church has a goal to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

17. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through October 9, 2019, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under US generally accepted accounting principles other than as disclosed in note 5.

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Accrual Basis

Holy Myrrhbearers Monastery

Profit & Loss Prev Year Comparison

January through December 2020

	Jan - Dec 20	Jan - Dec 19
Ordinary Income/Expense		
Income		
43400 · Direct Public Support		
43450 · Individ, Business Contributions		
43451 · Earmarked Donations	0.00	428.00
43450 · Individ, Business Contributions - Other	180,306.43	143,846.22
Total 43450 · Individ, Business Contributions	180,306.43	144,274.22
Total 43400 · Direct Public Support	180,306.43	144,274.22
43490 · Customer Donations from Paypal	5,400.00	0.00
45000 · Investments		
45020 · Dividend, Interest (Securities)	0.00	0.08
45030 · Interest-Savings, Short-term CD	3.96	6.92
Total 45000 · Investments	3.96	7.00
46400 · Other Types of Income		
46411 · Royalties for Books etc.	0.00	299.68
46420 · Inventory Sales		
46421 · Sale of Monastery Books	4,367.40	3,377.36
46422 · Sale of Purchased Books	168.00	405.00
46423 · Sale of Cards	1,136.43	1,721.20
46424 · Sale of Farm Products	2,096.12	1,419.62
46426 · Sale of Palestinian Products	142.50	166.00
Total 46420 · Inventory Sales	7,910.45	7,089.18
46430* · Miscellaneous Revenue		
46441 · Reimbursements	18.69	23.99
46430* · Miscellaneous Revenue - Other	1,142.54	1,937.52
Total 46430* · Miscellaneous Revenue	1,161.23	1,961.51
46400 · Other Types of Income - Other	0.00	21.75
Total 46400 · Other Types of Income	9,071.68	9,372.12
47500 · Rentals	0.00	-52.00
Total Income	194,782.07	153,601.34
Cost of Goods Sold		
50000 · Cost of Goods Sold	2,328.03	846.00
50700 · Cost of Sales - Inventory Sales		
50701 · Book Publishing	0.00	0.00
50702 · Book Purchases	0.00	0.00
50703 · Cost of Card Publication	0.00	49.50
50704 · Farm Product Preparation	1,532.03	2,632.59
50706 · Palestinian Product Purchase	0.00	0.00
50700 · Cost of Sales - Inventory Sales - Other	0.00	0.00
Total 50700 · Cost of Sales - Inventory Sales	1,532.03	2,682.09
Total COGS	3,860.06	3,528.09
Gross Profit	190,922.01	150,073.25
Expense		
15001 · Donation Refund	24,000.00	0.00
60900 · Business Expenses		
60910 · Bad Debts	838.98	800.00
Total 60900 · Business Expenses	838.98	800.00
60952 · Sales tax paid	9.54	0.00
62100 · Contract Services		
62110 · Accounting Fees	7,854.00	8,687.10
62150 · Outside Contract Services	455.00	420.00

Holy Myrrhbearers Monastery

Profit & Loss Prev Year Comparison

January through December 2020

	Jan - Dec 20	Jan - Dec 19
62160 · Credit Card & Bank Fees	0.00	10.26
62165 · Audit Bank Fees	6.99	35.43
Total 62100 · Contract Services	8,315.99	9,152.79
62168 · Bank Deposit Discrepancy	0.00	0.20
62800 · Facilities and Equipment		
62815 · Building and Renovation	249.88	661.52
62820 · Grounds & Landscaping	17,578.61	14,187.21
62840 · Equip Rental and Maintenance	900.00	1,255.41
62841 · Household Equipment	174.49	723.23
62870 · Property Insurance	1,617.18	1,617.18
62880 · Real Estate, Personal Prop Tax	0.00	8,676.73
62890 · Utilities, Fuel & Electric Co	3,762.34	4,491.64
62800 · Facilities and Equipment - Other	446.69	284.94
Total 62800 · Facilities and Equipment	24,729.19	31,897.66
65000 · Operations		
65010 · Books, Subscriptions, Reference		
65011 · Library	587.94	511.80
65010 · Books, Subscriptions, Reference - Other	353.97	1,081.99
Total 65010 · Books, Subscriptions, Reference	941.91	1,593.79
65020 · Postage, Mailing Service	1,915.28	3,031.00
65030 · Printing and Copying	8,730.00	4,096.00
65040 · Supplies	3,485.09	2,237.74
65050 · Telephone, Telecommunications	2,000.86	2,503.08
65060 · Computers and Internet		
65061 · Credit Card Processing	1,342.07	1,372.84
65060 · Computers and Internet - Other	1,988.25	3,106.22
Total 65060 · Computers and Internet	3,330.32	4,479.06
65070 · Customer Refunds	35.00	0.00
65000 · Operations - Other	125.30	826.00
Total 65000 · Operations	20,563.76	18,766.67
65062 · Eig*iPage	0.00	0.00
65063 · DTI WEB PAGE	449.00	44.90
65065 · Intuit Quickbooks	0.00	539.95
65100 · Other Types of Expenses		
65110 · Advertising Expenses	0.00	45.00
65120 · Insurance - Liability, D and O		
65121 · Life Insurance	1,449.05	1,026.24
65120 · Insurance - Liability, D and O - Other	7.95	31.80
Total 65120 · Insurance - Liability, D and O	1,457.00	1,058.04
65150 · Memberships and Dues	456.10	658.39
65151 · Church Obligations & Charity	11,939.82	13,534.15
65161 · Chapel Expenses	691.03	1,325.87
65163 · Misc. Late Fees	35.00	0.00
65100 · Other Types of Expenses - Other	13.44	1,466.50
Total 65100 · Other Types of Expenses	14,592.39	18,087.95
66900 · Reconciliation Discrepancies	1.00	0.01
67000 · Monastic Household		
67001 · General Maintenance & Upkeep	3,024.83	3,487.50
67002 · Food and Groceries	12,773.84	11,891.06
67003 · Shoes and Clothing	220.65	57.34
67004 · Health Care	6,997.14	8,876.83
67005 · Pet Food and Upkeep	1,138.00	1,996.76
67006 · Vehicle Insurance	6,681.00	4,923.90
67007 · Vehicle Gas & Maintenance	1,980.34	3,513.29
67009 · Personal	319.51	1,009.65

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Accrual Basis

Holy Myrrhbearers Monastery

Profit & Loss Prev Year Comparison

January through December 2020

	Jan - Dec 20	Jan - Dec 19
67011 · Kitchen Garden	318.40	821.24
67012 · Sewing	9.99	29.46
67013 · Vehicle payments	28,596.00	0.00
67015 · Indoor House Plants	117.67	388.01
67016 · Otsego Dental Care	24.00	1,524.00
67017 · Travel	0.00	60.00
67018 · Dining Out	510.07	525.18
67019 · Emery & Webb, Inc.	0.00	0.00
67000 · Monastic Household - Other	1,785.14	863.99
Total 67000 · Monastic Household	64,496.58	39,968.21
67014 · Vehicle Registration	30.44	0.00
67021 · Vehicle Inspection	56.00	21.00
67022 · Guideone - Ins	0.00	5,335.00
67023 · Vehicle repair	1,768.57	1,592.48
67024 · vehicle tires	351.58	18.66
67025 · DAVID M DUGAN DOS	0.00	294.30
67026 · Vitamins	1,151.43	3,392.08
67027 · Melaaleuca Wellneaa	2,685.89	2,763.27
67028 · Bassett Healthcare	790.21	344.44
67029 · Ancestry.com	0.00	323.36
67030 · HBI*HEAL N SMOOTHIE	251.70	0.00
67031 · Dr. Crandall Report	0.00	56.95
67032 · WEDGEWOOD PHARMACY	199.00	0.00
67033 · UNITYHEALTH8554820222 844-54236	294.00	0.00
67034 · ATHLETIC GREENS	312.00	0.00
67035 · OTSEGO DENTAL CARE PLLC	439.00	0.00
67036 · live cell research	134.85	0.00
67037 · AAA	270.58	0.00
67038 · NYS DMV	64.50	0.00
67039 · CLKBANK.COM_2ZVSU925	191.16	0.00
67200 · Guest Ministry & Hospitality		
67201 · Guest House Phone Utilities etc	1,213.84	941.55
67200 · Guest Ministry & Hospitality - Other	0.00	0.00
Total 67200 · Guest Ministry & Hospitality	1,213.84	941.55
67300 · POUSTINIA	0.00	0.00
67500 · Zoar Farms		
67 · Farm Vehicle Insurance	0.00	13.99
67501 · Livestock Feed	9,681.81	11,118.80
67502 · Routine Farm Maintenance	684.00	925.27
67503 · Livestock Vet Care & Meds	1,274.23	2,515.57
67504 · Farm Equipment	3,692.48	193.14
67505 · Memberships & Subscriptions	172.76	506.02
67506 · Barn Maintenance & Renovation	203.73	375.72
67507 · Farm Vehicle Gas & Maintenance	1,551.55	2,153.30
67508 · Pastures & Fencing	258.47	540.62
67509 · Animal Pedigree Registration	0.00	0.00
67510 · Dairy Supplies	7.99	42.54
67512 · Livestock Purchase	23.94	0.00
67513 · FARM DOG LICENCING	13.00	13.00
67500 · Zoar Farms - Other	0.00	197.00
Total 67500 · Zoar Farms	17,563.96	18,594.97
67514 · FARM DOG & CAT CARE	1,063.45	1,344.59
68300 · Travel and Meetings		
68310 · Conference, Convention, Meeting		
68311 · Training Workshops	0.00	8.15
68310 · Conference, Convention, Meeting - Other	0.00	7.95
Total 68310 · Conference, Convention, Meeting	0.00	16.10
68320 · Travel	68.83	1,481.45

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Accrual Basis

Holy Myrrhbearers Monastery
Profit & Loss Prev Year Comparison
January through December 2020

	Jan - Dec 20	Jan - Dec 19
68300 · Travel and Meetings - Other	0.00	52.79
Total 68300 · Travel and Meetings	68.83	1,550.34
68322 · Airport fees	0.00	88.25
69800 · Uncategorized Expenses	0.00	0.17
ADJUST · Inventory Adjustment	-9,704.00	-181.50
Total Expense	177,193.42	155,738.45
Net Ordinary Income	13,728.59	-5,665.20
Other Income/Expense		
Other Income		
46415 · expense refund	0.00	11.72
Total Other Income	0.00	11.72
Net Other Income	0.00	11.72
Net Income	13,728.59	-5,653.48

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Accrual Basis

Holy Myrrhbearers Monastery

Balance Sheet Prev Year Comparison

As of December 31, 2020

	Dec 31, 20	Dec 31, 19
ASSETS		
Current Assets		
Checking/Savings	377.33	377.33
- Petty Cash	3,645.58	3,452.57
*** - PayPal	0.00	-7,000.00
000013 - File 13	22,239.54	14,447.75
5777 - NBT Special Savings	1,337.13	436.08
5789 - NBT Regular Savings 5789	8,581.09	11,787.56
6719 - NBT House Checking	648.27	1,416.56
6727 - NBT Checking (Sudoku)		
Total Checking/Savings	36,828.94	24,917.85
Accounts Receivable	827.74	678.09
11100 - Allowance for Doubtful Accounts		
11400 - Grants Receivable		
11401 - Reimbursements	-13.80	-13.80
11400 - Grants Receivable - Other	-38.14	-38.14
Total 11400 - Grants Receivable	-51.94	-51.94
11500 - Accounts Receivable		
11501 - Barnabas Loan	1,678.00	1,678.00
Total 11500 - Accounts Receivable	1,678.00	1,678.00
Total Accounts Receivable	2,453.80	2,304.15
Other Current Assets	6,550.25	16,446.08
12000 - Undeposited Funds		
12100 - Inventory Asset		
12101 - Books Published by Monastery	1,413.00	1,413.00
12102 - Purchased Books	370.00	370.00
12103 - Card Inventory	152,825.30	152,825.30
12104 - Farm Products	3,312.10	3,312.10
12106 - Palestinian Products	2,562.00	2,562.00
12100 - Inventory Asset - Other	38,344.90	31,660.90
Total 12100 - Inventory Asset	198,827.30	192,143.30
12200 - Accrued Revenue	-2,500.00	-2,500.00
13000 - Prepaid Expenses	118.47	118.47
13500 - Supplies Inventory		
13501 - Farm Equipment	-24,837.19	-24,837.19
13502 - Yard & Garden Equipment	1,196.28	1,196.28
13500 - Supplies Inventory - Other	620.03	553.24
Total 13500 - Supplies Inventory	-23,020.88	-23,087.67
Total Other Current Assets	179,975.14	183,120.18
Total Current Assets	219,257.88	210,342.18
Fixed Assets		
15000 - Furniture and Equipment	8,320.78	8,285.24
15100 - Buildings - Operating		
15101 - Main Monastery	371,676.57	371,676.57
15103 - Guest House ("Millhouse")	75,126.77	75,126.77
15104 - Main Barn	32,381.06	32,381.06
15105 - Buck Barn	9,664.63	9,664.63
15106 - Ox Shed	689.96	689.96
15107 - POUSTINIA	27,606.40	27,606.40
15110 - Monastery Chapel		
15111 - Bells & Bell Tower	9,035.00	9,035.00
15110 - Monastery Chapel - Other	1,450.00	1,450.00
Total 15110 - Monastery Chapel	10,485.00	10,485.00
15114 - Baptist Church	96,834.35	96,834.35

Holy Myrrhbearers Monastery

Balance Sheet Prev Year Comparison

As of December 31, 2020

	Dec 31, 20	Dec 31, 19
15100 · Buildings - Operating - Other	890.20	890.20
Total 15100 · Buildings - Operating	625,354.94	625,354.94
15500 · Facility Construction	302.70	302.70
15700 · Land - Operating		
15701 · Main Monastery Property	71,812.50	71,812.50
15702 · Millhouse Property	3,201.92	3,201.92
Total 15700 · Land - Operating	75,014.42	75,014.42
15900 · Leasehold Improvements	2,000.00	2,000.00
16400 · Vehicles	25,260.90	25,260.90
17100 · Accum Depr - Furn and Equip	7,656.07	7,656.07
17200 · Accum Depr - Buildings	5,303.98	5,303.98
17400 · Accum Depr - Vehicles		
17401 · Farm Vehicles and Equipment	37,468.00	37,468.00
17400 · Accum Depr - Vehicles - Other	35,412.75	35,412.75
Total 17400 · Accum Depr - Vehicles	72,880.75	72,880.75
Total Fixed Assets	822,094.54	822,059.00
Other Assets		
18000 · Marketable Securities	109,327.25	109,327.25
18100 · Land and Buildings - Investment	4,190.00	4,190.00
18300 · Other Investments	10,000.00	10,000.00
18600 · Other Assets		
18601 · Zoar Farms Livestock	5,776.16	5,776.16
Total 18600 · Other Assets	5,776.16	5,776.16
18800 · Restricted Contributions	318,000.00	318,000.00
Total Other Assets	447,293.41	447,293.41
TOTAL ASSETS	1,488,645.83	1,479,694.59
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Credit Cards		
1436 · Chase Credit Card	3,820.18	2,239.78
7172 · DISCOVER IT	10,566.11	0.00
Total Credit Cards	14,386.29	2,239.78
Other Current Liabilities		
67515 · Kubota Credit Tractor 1	1,569.14	7,993.00
Total Other Current Liabilities	1,569.14	7,993.00
Total Current Liabilities	15,955.43	10,232.78
Long Term Liabilities		
27100 · Notes, Mortgages, and Leases		
27101 · RBO Note	-339.10	-339.10
27100 · Notes, Mortgages, and Leases - Other	-276.06	-276.06
Total 27100 · Notes, Mortgages, and Leases	-615.16	-615.16
27200 · Other Liabilities	306.13	306.13
27300 · Refundable Deposits Payable		
27301 · Postulant Trust Holding	-26,391.30	-26,391.30
27300 · Refundable Deposits Payable - Other	136.00	136.00
Total 27300 · Refundable Deposits Payable	-26,255.30	-26,255.30
Total Long Term Liabilities	-26,564.33	-26,564.33

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10/05/21

Accrual Basis

Holy Myrrhbearers Monastery
Balance Sheet Prev Year Comparison
As of December 31, 2020

	Dec 31, 20	Dec 31, 19
Total Liabilities	-10,608.90	-16,331.55
Equity		
30000 · Opening Bal Equity	1,090,766.59	1,101,266.59
32000 · Unrestricted Net Assets	394,759.55	400,413.03
Net Income	13,728.59	-5,653.48
Total Equity	1,499,254.73	1,496,026.14
TOTAL LIABILITIES & EQUITY	1,488,645.83	1,479,694.59

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05/10/22

Accrual Basis

New Skete Monasteries Inc
Profit & Loss
January 2018 through December 2021

	Jan - Dec 18	Jan - Dec 19	Jan - Dec 20	Jan - Dec 21	TOTAL
Ordinary Income/Expense					
Income					
Income					
Benevolence Offerings	29,770.26	30,329.64	38,440.72	40,647.65	139,188.27
Building Fund	12,570.00	200.00	0.00	0.00	12,770.00
Chapel Community Fund	0.00	9,651.50	6,099.95	5,458.00	21,209.45
Companions Fellowship	0.00	0.00	0.00	99.00	99.00
Mission Offerings	48,398.27	46,113.72	62,579.57	65,761.76	222,853.32
Special Events	15,141.98	22,322.12	10,026.33	29,745.37	77,235.80
Special Services Income	0.00	300.00	0.00	0.00	300.00
Total Income	105,880.51	108,916.98	117,146.57	141,711.78	473,655.84
Total Income	105,880.51	108,916.98	117,146.57	141,711.78	473,655.84
Gross Profit	105,880.51	108,916.98	117,146.57	141,711.78	473,655.84
Expense					
Advertising and Promotion	6,861.86	5,429.56	5,821.24	7,554.40	25,667.06
Bank Service Charges	-4.00	0.00	9.20	229.07	234.27
Chapel Community Expenses	0.00	7,189.75	3,723.18	5,776.27	16,689.20
Charitable Contributions	83,155.65	110,500.00	100,000.00	106,000.00	399,655.65
Companions Fellowship Expenses	0.00	374.81	246.18	189.72	810.71
Computer and Internet Expenses	1,766.99	922.25	5,078.09	4,318.37	12,085.70
Conferences and Meetings	3,091.03	3,424.19	0.00	0.00	6,515.22
Dues and Subscriptions	0.00	100.00	0.00	130.00	230.00
Fall/Winter Appeal Expenses	2,321.05	2,834.37	2,458.74	2,638.63	10,252.79
Interest Expense	0.00	0.00	0.00	47.62	47.62
Merchant Fees	1,398.20	1,160.43	1,166.08	1,399.93	5,124.64
Office Supplies	0.00	22.47	63.98	0.00	86.45
Outside Services	210.68	0.00	0.00	100.00	310.68
Postage and Delivery	0.00	539.00	341.00	15.60	895.60
Printing and Reproduction	0.00	0.00	76.00	114.00	190.00
Professional Fees	60.00	0.00	0.00	0.00	60.00
Special Event	3,323.36	4,020.17	486.89	4,467.88	12,298.30
Spring Appeal Expenses	0.00	0.00	1,411.22	0.00	1,411.22
Total Expense	102,184.82	136,517.00	120,881.80	132,981.49	492,565.11
Net Ordinary Income	3,695.69	-27,600.02	-3,735.23	8,730.29	-18,909.27
Net Income	3,695.69	-27,600.02	-3,735.23	8,730.29	-18,909.27

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05/10/22

Accrual Basis

New Skete Monasteries Inc

Balance Sheet

As of December 31, 2021

	Dec 31, 21
ASSETS	
Current Assets	
Checking/Savings	
Cash on Hand	23.40
KeyBank-Chapel Community	8,698.81
KeyBank-Checking	32,246.99
Total Checking/Savings	40,969.20
Total Current Assets	40,969.20
TOTAL ASSETS	40,969.20
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	1,088.52
Total Liabilities	1,088.52
Equity	
Opening Balance Equity	363.15
Retained Earnings	30,787.24
Net Income	8,730.29
Total Equity	39,880.68
TOTAL LIABILITIES & EQUITY	40,969.20

The Monks of New Skete
Profit & Loss
January 2018 through December 2021

	Jan - Dec 18	Jan - Dec 19	Jan - Dec 20	Jan - Dec 21	TOTAL
Ordinary Income/Expense					
Income					
4040000 · Royalty Income	131,153.98	161,367.97	96,487.06	205,892.54	594,901.55
4041000 · Royalty Advances	0.00	24,000.00	128,632.33	12,000.00	164,632.33
4050000 · Monks Gift Shop	39,769.44	32,266.88	35,006.85	30,798.30	137,841.47
4060000 · Cheese Smoking	14,040.41	0.00	0.00	0.00	14,040.41
4070000 · Program Services	525,503.36	635,706.77	559,991.42	739,262.90	2,460,464.45
4080000 · Contributions	239,885.63	236,120.82	178,548.75	229,281.64	883,836.84
4200000 · OTHER	1,617.85	2,190.93	1,975.98	800.00	6,584.76
4400000 · Sale of Fixed Assets	5,000.00	0.00	0.00	0.00	5,000.00
4800000 · Donations of Monk's Ind Funds	4,042.58	4,029.26	20,247.40	28,479.49	56,798.73
4900000 · Soc Sec Bene's rec'd for member	52,217.90	52,116.70	58,855.18	53,617.12	216,806.90
Total Income	1,013,231.15	1,147,799.33	1,079,744.97	1,300,131.99	4,540,907.44
Cost of Goods Sold					
5000000 · Cost of Goods Sold	299,217.51	332,564.83	273,436.94	385,568.90	1,290,788.18
5400000 · Cost of dog books	0.00	6,400.00	9,270.00	5,200.00	20,870.00
Total COGS	299,217.51	338,964.83	282,706.94	390,768.90	1,311,658.18
Gross Profit	714,013.64	808,834.50	797,038.03	909,363.09	3,229,249.26
Expense					
6000000 · Church Expenses	34,912.85	11,150.52	22,444.45	11,424.99	79,932.81
6300000 · Special Event Expenses	682.06	1,862.21	824.23	0.00	3,368.50
6800000 · Formation	11,416.65	11,438.35	12,528.39	10,322.01	45,705.40
7000000 · G&A	236,550.56	242,270.77	199,580.52	246,630.60	925,032.45
8000000 · Community	216,198.64	267,800.98	278,906.59	275,499.42	1,038,405.63
8900000 · Depreciation	103,768.58	0.00	107,492.44	0.00	211,261.02
Total Expense	603,529.34	534,522.83	621,776.62	543,877.02	2,303,705.81
Net Ordinary Income	110,484.30	274,311.67	175,261.41	365,486.07	925,543.45
Other Income/Expense					
Other Income	-153,814.82	536,946.25	388,426.26	626,218.62	1,397,776.31
Other Expense					
59900 · Balancing Adjustments	0.00	0.00	0.00	0.00	0.00
Total Other Expense	0.00	0.00	0.00	0.00	0.00

The Monks of New Skete
Profit & Loss
January 2018 through December 2021

	Jan - Dec 18	Jan - Dec 19	Jan - Dec 20	Jan - Dec 21	TOTAL
Net Other Income	-153,814.82	536,946.25	388,426.26	626,218.62	1,397,776.31
Net Income	-43,330.52	811,257.92	563,687.67	991,704.69	2,323,319.76

The Monks of New Skete
Balance Sheet
As of December 31, 2021

	Dec 31, 21
ASSETS	
Current Assets	
Checking/Savings	
1000000 · Cash	
1000001 · KeyBank	267,188.20
1000800 · Petty Cash	259.72
1000900 · Cash on Hand	805.90
Total 1000000 · Cash	268,253.82
1100000 · Marketable Securities	4,640,528.73
Total Checking/Savings	4,908,782.55
Other Current Assets	
1120 · Inventory Asset	26,579.45
Total Other Current Assets	26,579.45
Total Current Assets	4,935,362.00
Fixed Assets	1,576,188.14
TOTAL ASSETS	6,511,550.14
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	15,322.18
Total Liabilities	15,322.18
Equity	6,496,227.96
TOTAL LIABILITIES & EQUITY	6,511,550.14

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Accrual Basis

Nuns of New Skete - Operations
Profit & Loss
 January 2018 through December 2021

	Jan - Dec 18	Jan - Dec 19	Jan - Dec 20	Jan - Dec 21	TOTAL
Ordinary Income/Expense					
Income					
40000 · REVENUE					
41000 · Donations	95,334.94	110,847.97	110,951.00	102,180.00	419,313.91
43000 · Community Income	78,532.46	32,784.90	42,849.78	42,612.78	196,779.92
44000 · Activity Revenue	6,065.25	0.00	0.00	0.00	6,065.25
46000 · Business Revenue	88,913.40	102,240.57	64,315.00	76,550.00	332,018.97
40000 · REVENUE - Other	125.00	0.00	0.00	0.00	125.00
Total 40000 · REVENUE	268,971.05	245,873.44	218,115.78	221,342.78	954,303.05
43900 · Investment Income	-6,783.10	44,925.83	7,306.40	61,732.74	107,181.87
48000 · Miscellaneous Revenue	31.84	534.76	361.26	0.00	927.86
Total Income	262,219.79	291,334.03	225,783.44	283,075.52	1,062,412.78
Cost of Goods Sold	48,120.77	57,282.04	0.00	0.00	105,402.81
Gross Profit	214,099.02	234,051.99	225,783.44	283,075.52	957,009.97
Expense					
60000 · EXPENSES					
61000 · General Expenses	52,725.83	57,256.01	55,981.20	74,051.94	240,014.98
62000 · Gift Shop Expenses	3,078.00	2,622.00	0.00	0.00	5,700.00
63000 · Purchased Services	11,675.99	6,213.83	10,014.93	7,127.83	35,032.58
64000 · Vehicle Expenses	4,732.58	4,298.06	1,606.73	11,565.53	22,202.90
65000 · House Maintenace	50,355.10	41,138.36	23,672.00	62,964.57	178,130.03
66000 · Pets	969.81	668.89	1,413.34	1,884.15	4,936.19
67000 · Grounds Maintenance	10,215.18	11,792.00	11,419.13	23,326.22	56,752.53
70000 · Activity Expenses	952.63	5,181.56	1,201.98	1,020.00	8,356.17
90000 · Admin & Government	58,629.58	66,668.08	44,905.44	48,804.55	219,007.65
Total 60000 · EXPENSES	193,334.70	195,838.79	150,214.75	230,744.79	770,133.03
Total Expense	193,334.70	195,838.79	150,214.75	230,744.79	770,133.03
Net Ordinary Income	20,764.32	38,213.20	75,568.69	52,330.73	186,876.94
Other Income/Expense	0.00	0.00	0.00	0.00	0.00

Nuns of New Skete - Operations
Profit & Loss
January 2018 through December 2021

	Jan - Dec 18	Jan - Dec 19	Jan - Dec 20	Jan - Dec 21	TOTAL
Net Income	20,764.32	38,213.20	75,568.69	52,330.73	186,876.94

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Accrual Basis

Nuns of New Skete - Operations

Balance Sheet

As of December 31, 2021

	Dec 31, 21
ASSETS	
Current Assets	
Checking/Savings	91,013.81
Other Current Assets	
11000 - Interfunds	99.80
Total Other Current Assets	99.80
Total Current Assets	91,113.61
Fixed Assets	662,707.87
Other Assets	440,245.60
TOTAL ASSETS	1,194,067.08
LIABILITIES & EQUITY	
Equity	1,194,067.08
TOTAL LIABILITIES & EQUITY	1,194,067.08

St. Catherine's Representation Church
Internal Income Statements
2019 - 2021

	2021		2020		2019	
	Rubles	Dollars	Rubles	Dollars	Rubles	Dollars
Revenue						
Donations from Rent	6,794,000.00 P	\$ 95,116.00	6,393,500.00 P	\$ 95,902.50	7,251,000.00 P	\$ 108,765.00
Donations in the Church	3,245,424.91	45,435.95	2,502,321.07	37,534.82	5,566,603.00	83,499.05
Donations from Bookstore	5,415,080.00	75,811.12	4,898,802.00	73,482.03	4,662,824.00	69,942.36
Other	-	-	320,000.00	4,800.00	-	-
Total Revenue	15,454,504.91	216,363.07	13,794,623.07	211,719.35	17,480,427.00	262,206.41
Expenses						
Salaries	5,197,350.00	72,762.90	5,018,150.00	75,272.25	5,791,800.00	86,877.00
Choir Payment	967,000.00	13,538.00	921,500.00	13,822.50	1,568,000.00	23,520.00
Food	611,936.00	8,567.10	359,403.04	5,391.05	519,356.00	7,790.34
Decoration of Church	21,218.00	297.05	4,660.00	69.90	48,489.00	727.34
Church Maintenance Supplies	493,771.97	6,912.81	477,813.43	7,167.20	586,641.00	8,799.62
Objects of Church Use	1,230,740.00	17,230.36	1,219,106.00	18,286.59	1,629,073.00	24,436.10
Restoration - Church	-	-	690,000.00	10,350.00	2,384,440.00	35,766.60
Feast	212,000.00	2,968.00	198,500.00	2,977.50	1,089,078.00	16,336.17
Representation Expenses	1,117,455.00	15,644.37	100,675.00	1,510.13	136,857.00	2,052.86
Office Expenses	53,314.00	746.40	69,308.00	1,039.62	185,911.00	2,788.67
Waterworks	42,254.26	591.56	29,171.06	437.57	47,558.00	713.37
Phone	6,478.32	90.70	19,407.52	291.11	27,964.00	419.46
Internet	23,000.00	322.00	18,170.00	272.55	36,600.00	549.00
Electricity	230,815.85	3,231.42	204,659.90	3,069.90	266,887.00	4,003.31
Garbage Removal	68,900.00	964.60	68,900.00	1,033.50	78,069.00	1,171.04
Service Apt	138,100.00	1,933.40	64,200.00	963.00	171,311.00	2,569.67
Heating	540,312.55	7,564.38	392,783.93	5,891.76	495,394.00	7,430.91
Taxes	138,328.00	1,936.59	159,447.00	2,391.71	246,117.00	3,691.76
Other	2,521,607.68	35,302.51	354,213.33	5,313.20	1,672,732.00	25,090.98
Donations to Patriarchate	65,000.00	910.00	49,500.00	742.50	64,000.00	960.00
Total Expenses	13,679,581.63	191,514.14	10,419,568.21	156,293.52	17,046,277.00	255,694.16
Net Income	1,774,923.28 P	\$ 24,848.93	3,375,054.86 P	\$ 55,425.82	434,150.00 P	\$ 6,512.25

Dollars per Ruble

0.014

0.015

0.015

St. Tikhon's Orthodox Monastery

Financial Statements and
Supplementary Information

December 31, 2020 and 2019

St. Tikhon's Orthodox Monastery

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December 31, 2020 and 2019

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Independent Accountants' Review Report

To the Board of Directors of
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying financial statements of St. Tikhon's Orthodox Monastery, which comprise the statements of financial position as of December 31, 2020 and 2019, 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 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 revenue from exchange transactions is recorded as contract obligations until the performance obligation is satisfied through performance of interment services. Management has informed us that revenue from the sale of cemetery property is recognized when received. Management has not determined 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.

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 US, LLP

Wilkes-Barre, Pennsylvania
June 30, 2021

St. Tikhon's Orthodox Monastery

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 576,916	\$ 541,276
Investments	3,026,076	-
Accounts receivable	62,714	88,071
Inventories	248,642	289,988
Total current assets	3,914,348	919,335
Property and Equipment, Net	2,174,325	1,591,351
Total assets	<u>\$ 6,088,673</u>	<u>\$ 2,510,686</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 65,336	\$ 27,920
Accounts payable	6,891	27,043
Payroll taxes payable	4,608	3,369
Sales tax payable	597	750
Deferred revenue	1,112	1,224
Refundable advance	40,179	-
Total current liabilities	118,723	60,306
Long-Term Debt	657,133	298,742
Total liabilities	775,856	359,048
Net Assets		
Without donor restrictions	2,138,629	2,030,591
With donor restrictions	3,174,188	121,047
Total net assets	5,312,817	2,151,638
Total liabilities and net assets	<u>\$ 6,088,673</u>	<u>\$ 2,510,686</u>

See notes to financial statements

St. Tikhon's Orthodox Monastery

Statements of Activities

Years Ended December 31, 2020

With Comparative Total for the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and Revenue				
Contributions	\$ 640,776	\$ 3,053,141	\$ 3,693,917	\$ 802,615
Bookstore	803,430	-	803,430	948,672
Investment income	104,322	-	104,322	571
Bequests	70,765	-	70,765	81,675
Cemetery plots	31,280	-	31,280	63,712
Iconography projects	-	-	-	34,450
Assessment and dues	12,450	-	12,450	10,570
Activities	2,100	-	2,100	6,910
Other income	765	-	765	-
Total support and revenue	1,665,888	3,053,141	4,719,029	1,949,175
Expenses				
Operating	640,560	-	640,560	838,389
Personnel	366,283	-	366,283	340,886
Cost of goods sold	325,332	-	325,332	410,136
Administrative	145,408	-	145,408	161,010
Fundraising, special events	58,645	-	58,645	40,719
Interest	18,922	-	18,922	17,186
Royalties expense	2,700	-	2,700	7,581
Total expenses	1,557,850	-	1,557,850	1,815,907
Change in net assets	108,038	3,053,141	3,161,179	133,268
Net Assets, Beginning	2,030,591	121,047	2,151,638	2,018,370
Net Assets, Ending	<u>\$ 2,138,629</u>	<u>\$ 3,174,188</u>	<u>\$ 5,312,817</u>	<u>\$ 2,151,638</u>

See notes to financial statements

St. Tikhon's Orthodox Monastery

Statements of Cash Flows

Years Ended December 31, 2020

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 3,161,179	\$ 133,268
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	133,826	129,450
Noncash contribution	(102,920)	-
Gifts restricted for long-term investments	(127,150)	(121,047)
Donated securities	(2,925,991)	-
Net realized and unrealized gains on investments	(100,533)	-
Changes in assets and liabilities:		
Accounts receivable	25,357	(14,160)
Inventories	41,346	37,080
Accounts payable	(20,152)	(27,053)
Refundable advance	40,179	-
Payroll taxes payable	1,239	(449)
Deferred revenue	(112)	436
Accrued interest	-	(1,262)
Sales tax payable	(153)	(48)
Net cash provided by operating activities	126,115	136,215
Cash Flows From Investing Activities		
Purchase of investments	(4,906,595)	-
Proceeds from sale of investments	4,907,043	-
Purchases of property and equipment	(688,292)	(70,951)
Net cash used in investing activities	(687,844)	(70,951)
Cash Flows From Financing Activities		
Proceeds from long-term debt	500,000	-
Gifts restricted for long-term investments	127,150	121,047
Repayments of long-term debt	(29,781)	(23,964)
Net cash provided by financing activities	597,369	97,083
Increase in cash and cash equivalents	35,640	162,347
Cash and Cash Equivalents, Beginning	541,276	378,929
Cash and Cash Equivalents, Ending	\$ 576,916	\$ 541,276
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 18,922	\$ 18,448
Supplemental Disclosure of Noncash Investing Activities and Financing Activities		
Vehicle acquisition financed	\$ 28,508	\$ 17,476

See notes to financial statements

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

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 June 30, 2021, 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 revenue 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.

Investments and Investment Risk

Investments are carried at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as income without donor restrictions unless the income or loss is restricted by donor or law.

The Monastery's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statements 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.

Accounts Receivable

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

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

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.

Gifts of long-lived assets such as land, buildings or equipment are reported as without donor restrictions 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 with donor restrictions. 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.

Classification of Net Assets

Without Donor Restrictions - The Monastery's net assets without donor restrictions represent the portion of expendable funds that are available for support of the Monastery's general operations.

With Donor Restrictions - The Monastery's net assets with donor restrictions include contributions received that are restricted for specific time periods, uses and purposes as specified by the donors. The Monastery reports release of donor restricted net assets when the donor stipulations or time restrictions have been met. Net assets with donor restrictions include contributions to fund construction of the Liturgical Arts Center and the new Monks House.

Revenue Recognition

Revenue from the sale of cemetery plots is recognized when funds are received. Accounting principles generally accepted in the United States of America require that revenue from exchange transactions is recorded as contract obligations until the performance obligation is satisfied through performance of interment services. 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.

Revenue derived from bookstore sales is recognized when merchandise is delivered to the buyer.

Revenue derived from iconography project sales is recognized when the performance obligation of the project is satisfied.

The Monastery recognizes contributions when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest or bequest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

Shipping and Handling Fees and Costs

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

Functional Expenses

The costs of operating the Monastery have been summarized on the statements of activities. Directly identifiable expenses are charged to programs and supporting services.

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 donor 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Collections of Religious Artifacts

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

Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and amortized over the term of the related debt using the straight-line method, which approximates the interest method. Amortization expense was \$837 in 2020 and \$836 in 2019. Deferred financing costs are presented as a reduction in the carrying amount of the debt liability on the statements of financial position. See Note 4.

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 2020 and 2019.

New Accounting Standard Not Yet Adopted

During September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Monastery is currently assessing the effect that ASU No. 2020-07 will have on its financial statements

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

2. Investments and Fair Value Measurements

The composition of investments is as follows at December 31:

	2020
Money market	\$ 983,972
Marketable equity securities	2,042,104
Total	<u>\$ 3,026,076</u>

Investment return is comprised of the following for the years ended December 31:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 3,789	\$ -	\$ 3,789
Realized and unrealized gains on investments	100,533	-	100,533
Total investment return	<u>\$ 104,322</u>	<u>\$ -</u>	<u>\$ 104,322</u>

Investment fees are netted against interest and dividend income without donor restriction.

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 Monastery's assets as of December 31 are all Level 1 investments.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

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 and are Level 1 inputs.

3. Property and Equipment, Net

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

	2020	2019
Land	\$ 5,300	\$ 5,300
Land improvements	27,777	27,777
Buildings and improvements	3,466,949	3,385,327
Furniture	37,306	37,306
Equipment	85,975	85,975
Vehicles	150,411	116,903
Construction in progress	603,833	3,000
Total	4,377,551	3,661,588
Less accumulated depreciation	2,203,226	2,070,237
Property and equipment, net	\$ 2,174,325	\$ 1,591,351

Depreciation expense was \$132,989 in 2020 and \$128,614 in 2019.

4. Long-Term Debt

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

	2020	2019
Bookstore		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payments of \$2,804, including interest at 4.70% for 84 months then adjusting to the prime rate plus 1.45%, maturing January 2032; secured by real estate	\$ 276,102	\$ 293,779
Monastery		
<u>Term note</u>		
Note payable in monthly installments of \$3,030, including interest at 1.17% for 180 months, maturing November 2035; unsecured	394,538	-
<u>Honesdale National Bank</u>		
Note payable in monthly installments of \$525, including interest at 4.00% for 60 months, maturing November 2025; secured by vehicle	28,077	-

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

	2020	2019
<u>Kia Finance</u>		
Note payable in monthly installments of \$326, including interest at 6.29% for 72 months, maturing October 2023; secured by vehicle	\$ 10,113	\$ 13,245
<u>Volkswagen Credit</u>		
Note payable in monthly installments of \$325, including interest at 2.90% for 60 months, maturing July 2023; secured by vehicle	9,705	13,274
<u>Volkswagen Credit</u>		
Note payable in monthly installments of \$321, including interest at 3.99% for 60 months, maturing August 2024; secured by vehicle	13,143	16,410
	731,678	336,708
Less deferred financing costs	9,209	10,046
Less current portion	65,336	27,920
Long-term debt	<u>\$ 657,133</u>	<u>\$ 298,742</u>

Scheduled principal repayments for periods subsequent to December 31, 2020 are as follows:

Years ending December 31:	
2021	\$ 65,336
2022	67,444
2023	67,362
2024	62,607
2025	61,412
Thereafter	407,517
Total	<u>\$ 731,678</u>

5. Net Assets

Net assets with donor restrictions at December 31 are as follows:

	2020	2019
Liturgical Arts Center	\$ 3,090,473	\$ 119,947
Monks House	83,715	1,100
	<u>\$ 3,174,188</u>	<u>\$ 121,047</u>

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

6. Functional Expenses

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

	2020		
	Monastery	Bookstore	Total
Other operating	\$ 235,397	\$ 90,680	\$ 326,077
Cost of goods sold	-	325,332	325,332
Salary and wages	-	223,217	223,217
Depreciation and amortization	86,404	47,422	133,826
Repairs and maintenance	99,276	4,652	103,928
Supplies	86,556	15,574	102,130
Utilities	63,638	23,390	87,028
Insurance	40,512	38,400	78,912
Fundraising, special events	25,187	33,458	58,645
Interest	2,956	15,966	18,922
Payroll taxes	1,355	16,739	18,094
Professional fees	6,484	11,173	17,657
Advertising	14,026	3,608	17,634
Security	15,769	-	15,769
Memberships	11,291	4,124	15,415
Architect fees	-	6,150	6,150
Conferences	5,648	150	5,798
Royalties expense	-	2,700	2,700
Miscellaneous	-	616	616
Total expenses	\$ 694,499	\$ 863,351	\$ 1,557,850

	2019		
	Monastery	Bookstore	Total
Other operating	\$ 304,321	\$ 113,465	\$ 417,786
Cost of goods sold	-	410,136	410,136
Salary and wages	-	204,672	204,672
Depreciation and amortization	82,681	46,769	129,450
Repairs and maintenance	202,343	4,408	206,751
Supplies	88,488	20,456	108,944
Utilities	64,492	17,600	82,092
Insurance	56,460	38,904	95,364
Fundraising, special events	30,018	24,607	54,625
Payroll taxes	-	14,754	14,754
Interest	1,591	15,595	17,186
Professional fees	2,497	9,406	11,903
Advertising	1,300	4,006	5,306
Memberships	12,943	5,865	18,808
Conferences	30,299	250	30,549
Royalties expense	-	7,581	7,581
Total expenses	\$ 877,433	\$ 938,474	\$ 1,815,907

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2020 and 2019

7. Related-Party Transactions

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

	2020	2019
General insurance reimbursement	\$ 40,400	\$ 42,500
Contributions	2,571	6,259
Health insurance reimbursement	-	11,044
Total	<u>\$ 42,971</u>	<u>\$ 59,803</u>

8. Concentrations

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

9. Liquidity and Availability of Resources

The Monastery's financial assets available for general expenditure within one year of the statements of financial position date for general expenditures are as follows at December 31:

	2020	2019
Cash and cash equivalents	\$ 428,804	\$ 541,276
Accounts receivable	62,714	88,071
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 491,518</u>	<u>\$ 629,347</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

10. Paycheck Protection Program Loan

On May 2, 2020, the Monastery received loan proceeds in the amount of \$40,179 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1 percent with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2020 and 2019

The Monastery met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during October of 2020. On January 6, 2021, the Monastery received legal release from the SBA, and therefore, will record the amount forgiven, \$40,179, as grant revenue within the other income section in its 2021 statement of activities.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

11. Contingencies

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Monastery's evaluation of the effects of these events is ongoing as of the date the financial statements were available to be issued. COVID-19 may impact various parts of the Monastery's future operations and financial performance. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department
December 31, 2020

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 540,343	\$ 36,573	\$ 576,916
Investments	3,026,076	-	3,026,076
Accounts receivable	17,478	45,236	62,714
Inventories	-	248,642	248,642
Total current assets	3,583,897	330,451	3,914,348
Property and Equipment, Net	1,624,894	549,431	2,174,325
Total assets	<u>\$ 5,208,791</u>	<u>\$ 879,882</u>	<u>\$ 6,088,673</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	\$ 46,406	\$ 18,930	\$ 65,336
Accounts payable	6,724	167	6,891
Interdepartmental (receivable) payable	(1,028,915)	1,028,915	-
Payroll taxes payable	-	4,608	4,608
Sales tax payable	-	597	597
Deferred revenue	-	1,112	1,112
Refundable advance	-	40,179	40,179
Total current liabilities	(975,785)	1,094,508	118,723
Long-Term Debt	409,170	247,963	657,133
Total liabilities	<u>(566,615)</u>	<u>1,342,471</u>	<u>775,856</u>
Net Assets			
Without donor restrictions	2,601,218	(462,589)	2,138,629
With donor restrictions	3,174,188	-	3,174,188
Total net assets	5,775,406	(462,589)	5,312,817
Total liabilities and net assets	<u>\$ 5,208,791</u>	<u>\$ 879,882</u>	<u>\$ 6,088,673</u>

St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department

December 31, 2019

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 478,380	\$ 62,896	\$ 541,276
Accounts receivable	-	88,071	88,071
Inventories	-	289,988	289,988
Total current assets	478,380	440,955	919,335
Property and Equipment, Net	<u>995,335</u>	<u>596,016</u>	<u>1,591,351</u>
Total assets	<u>\$ 1,473,715</u>	<u>\$ 1,036,971</u>	<u>\$ 2,510,686</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	\$ 9,987	\$ 17,933	\$ 27,920
Accounts payable	17,957	9,086	27,043
Interdepartmental (receivable) payable	(1,023,915)	1,023,915	-
Payroll taxes payable	-	3,369	3,369
Deferred revenue	-	1,224	1,224
Sales tax payable	-	750	750
Total current liabilities	(995,971)	1,056,277	60,306
Long-Term Debt	<u>32,942</u>	<u>265,800</u>	<u>298,742</u>
Total liabilities	<u>(963,029)</u>	<u>1,322,077</u>	<u>359,048</u>
Net Assets			
Without donor restrictions	2,315,697	(285,106)	2,030,591
With donor restrictions	<u>121,047</u>	<u>-</u>	<u>121,047</u>
Total net assets	<u>2,436,744</u>	<u>(285,106)</u>	<u>2,151,638</u>
Total liabilities and net assets	<u>\$ 1,473,715</u>	<u>\$ 1,036,971</u>	<u>\$ 2,510,686</u>

St. Tikhon's Orthodox Monastery

Schedule of Activities by Department

Year Ended December 31, 2020

	Without Donor Restrictions Monastery	With Donor Restrictions Monastery	Without Donor Restrictions Bookstore	Totals
Support and Revenue				
Contributions	\$ 758,430	\$ 3,053,141	\$ 45,000	\$ 3,856,571
Bookstore	-	-	640,776	640,776
Investment income	104,322	-	-	104,322
Cemetery plots	70,765	-	-	70,765
Bequests	31,280	-	-	31,280
Assessment and dues	12,450	-	-	12,450
Activities	2,100	-	-	2,100
Other income	673	-	92	765
Total support and revenue	980,020	3,053,141	685,868	4,719,029
Expenses				
Operating	425,699	-	214,861	640,560
Personnel	149,472	-	216,811	366,283
Cost of goods sold	-	-	325,332	325,332
Administrative	91,185	-	54,223	145,408
Fundraising, special events	25,187	-	33,458	58,645
Interest	2,956	-	15,966	18,922
Royalties expense	-	-	2,700	2,700
Total expenses	694,499	-	863,351	1,557,850
Increase (decrease) in net assets	\$ 285,521	\$ 3,053,141	\$ (177,483)	\$ 3,161,179

St. Tikhon's Orthodox Monastery

Schedule of Activities by Department

Year Ended December 31, 2019

	Without Donor Restrictions Monastery	With Donor Restrictions Monastery	Without Donor Restrictions Bookstore	Totals
Support and Revenue				
Contributions	\$ 725,481	\$ 121,047	\$ 102,144	\$ 948,672
Bookstore	-	-	802,615	802,615
Cemetery plots	81,675	-	-	81,675
Bequests	63,712	-	-	63,712
Iconography projects	-	-	34,450	34,450
Assessment and dues	10,570	-	-	10,570
Activities	6,910	-	-	6,910
Investment income	557	-	14	571
	<u>888,905</u>	<u>121,047</u>	<u>939,223</u>	<u>1,949,175</u>
Total support and revenue				
	<u>888,905</u>	<u>121,047</u>	<u>939,223</u>	<u>1,949,175</u>
Expenses				
Operating	610,966	-	227,423	838,389
Cost of goods sold	-	-	410,136	410,136
Personnel	142,271	-	198,615	340,886
Administrative	106,492	-	54,518	161,010
Fundraising, special events	16,112	-	24,607	40,719
Interest	1,591	-	15,595	17,186
Royalties expense	-	-	7,581	7,581
	<u>877,432</u>	<u>-</u>	<u>938,475</u>	<u>1,815,907</u>
Total expenses				
	<u>877,432</u>	<u>-</u>	<u>938,475</u>	<u>1,815,907</u>
Increase in net assets	\$ <u>11,473</u>	\$ <u>121,047</u>	\$ <u>748</u>	\$ <u>133,268</u>

St. Tikhon's Orthodox Monastery**Schedule of Operating, Personnel and Administrative Expenses by Department**

Year Ended December 31, 2020

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Operating			
Depreciation and amortization	\$ 86,404	\$ 47,422	\$ 133,826
Repairs and maintenance	99,276	4,652	103,928
Utilities	52,548	9,583	62,131
Supplies	56,878	43	56,921
Chamber choir	6,247	44,000	50,247
Insurance	641	38,400	39,041
Liturgical	38,958	-	38,958
Equipment	26,398	-	26,398
Telephone	11,090	13,807	24,897
Credit card fees	37	20,347	20,384
Assessments and dues	12,646	28,184	40,830
Security	15,769	-	15,769
Cemetery costs	15,319	-	15,319
Architect fees	-	6,150	6,150
Bank fees	4,102	2,273	6,375
Contributions and stipends	(614)	-	(614)
Total operating	<u>\$ 425,699</u>	<u>\$ 214,861</u>	<u>\$ 640,560</u>
Personnel			
Salary and wages	\$ -	\$ 201,717	\$ 201,717
Maintenance and support	109,601	-	109,601
Health insurance	39,871	-	39,871
Payroll taxes	-	15,094	15,094
Total personnel	<u>\$ 149,472</u>	<u>\$ 216,811</u>	<u>\$ 366,283</u>
Administrative			
Office supplies	\$ 29,678	\$ 15,531	\$ 45,209
Automobile	35,349	-	35,349
Salary and wages	-	21,500	21,500
Professional fees	6,484	11,173	17,657
Advertising	14,026	3,608	17,634
Travel	5,648	150	5,798
Miscellaneous	-	616	616
Payroll taxes	-	1,645	1,645
Total administrative	<u>\$ 91,185</u>	<u>\$ 54,223</u>	<u>\$ 145,408</u>

St. Tikhon's Orthodox MonasterySchedule of Operating, Personnel and Administrative Expenses by Department
Year Ended December 31, 2019

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Operating			
Repairs and maintenance	\$ 202,343	\$ 4,408	\$ 206,751
Depreciation and amortization	82,681	46,769	129,450
Chamber choir	28,232	89,118	117,350
Contributions and stipends	71,986	-	71,986
Utilities	55,862	9,973	65,835
Supplies	61,968	915	62,883
Insurance	331	38,400	38,731
Equipment	34,497	-	34,497
Liturgical	33,392	-	33,392
Credit card fees	(850)	21,560	20,710
Assessments and dues	14,230	5,865	20,095
Telephone	8,629	7,627	16,256
Cemetery costs	15,500	-	15,500
Bank fees	2,165	2,788	4,953
Total operating	<u>\$ 610,966</u>	<u>\$ 227,423</u>	<u>\$ 838,389</u>
Personnel			
Salary and wages	\$ -	\$ 184,872	\$ 184,872
Maintenance and support	86,142	-	86,142
Health insurance	56,129	504	56,633
Payroll taxes	-	13,239	13,239
Total personnel	<u>\$ 142,271</u>	<u>\$ 198,615</u>	<u>\$ 340,886</u>
Administrative			
Office supplies	\$ 40,426	\$ 19,541	\$ 59,967
Automobile	31,970	-	31,970
Travel	30,299	250	30,549
Salary and wages	-	19,800	19,800
Professional fees	2,497	9,406	11,903
Advertising	1,300	4,006	5,306
Payroll taxes	-	1,515	1,515
Total administrative	<u>\$ 106,492</u>	<u>\$ 54,518</u>	<u>\$ 161,010</u>

St. Tikhon's Orthodox Monastery

Financial Statements and
Supplementary Information

December 31, 2019 and 2018

St. Tikhon's Orthodox Monastery

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Independent Accountants' Review Report

To the Board of Directors of
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying financial statements of St. Tikhon's Orthodox Monastery, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 revenue from exchange transactions is recorded as contract obligations until the performance obligation is satisfied through performance of interment services. Management has informed us that revenue from the sale of cemetery property is recognized when received. Management has not determined 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.

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
June 30, 2020

St. Tikhon's Orthodox Monastery

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 541,276	\$ 378,929
Accounts receivable	88,071	73,911
Inventories	<u>289,988</u>	<u>327,068</u>
Total current assets	919,335	779,908
Property and Equipment, Net	<u>1,591,351</u>	<u>1,631,538</u>
Total assets	<u><u>\$ 2,510,686</u></u>	<u><u>\$ 2,411,446</u></u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 27,920	\$ 26,932
Accounts payable	27,043	54,096
Payroll taxes payable	3,369	3,818
Deferred revenue	1,224	788
Accrued interest	-	1,262
Sales tax payable	<u>750</u>	<u>798</u>
Total current liabilities	60,306	87,694
Long-Term Debt	<u>298,742</u>	<u>305,382</u>
Total liabilities	<u>359,048</u>	<u>393,076</u>
Net Assets		
Without donor restrictions	2,030,591	2,018,370
With donor restrictions	<u>121,047</u>	<u>-</u>
Total net assets	<u>2,151,638</u>	<u>2,018,370</u>
Total liabilities and net assets	<u><u>\$ 2,510,686</u></u>	<u><u>\$ 2,411,446</u></u>

See notes to financial statements

St. Tikhon's Orthodox Monastery

Statements of Activities

Years Ended December 31, 2019

With Comparative Total for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenue				
Bookstore	\$ 802,615	\$ -	\$ 802,615	\$ 770,510
Contributions	827,625	121,047	948,672	628,127
Bequests	63,712	-	63,712	99,445
Cemetery plots	81,675	-	81,675	72,400
Iconography projects	34,450	-	34,450	50,750
Assessment and dues	10,570	-	10,570	11,805
Activities	6,910	-	6,910	8,010
Investment income	571	-	571	406
	<u>1,828,128</u>	<u>121,047</u>	<u>1,949,175</u>	<u>1,641,453</u>
Total support and revenue				
Expenses				
Operating	838,389	-	838,389	708,719
Cost of goods sold	410,136	-	410,136	398,464
Personnel	340,886	-	340,886	363,347
Administrative	161,010	-	161,010	153,599
Fundraising, special events	40,719	-	40,719	46,583
Interest	17,186	-	17,186	17,866
Royalties expense	7,581	-	7,581	7,550
	<u>1,815,907</u>	<u>-</u>	<u>1,815,907</u>	<u>1,696,128</u>
Total expenses				
Increase (decrease) in net assets	12,221	121,047	133,268	(54,675)
Net Assets, Beginning	<u>2,018,370</u>	<u>-</u>	<u>2,018,370</u>	<u>2,073,045</u>
Net Assets, Ending	<u>\$ 2,030,591</u>	<u>\$ 121,047</u>	<u>\$ 2,151,638</u>	<u>\$ 2,018,370</u>

See notes to financial statements

St. Tikhon's Orthodox Monastery

Statements of Cash Flows

Years Ended December 31, 2019

	2019	2018
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 133,268	\$ (54,675)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	129,450	121,646
Gifts restricted for long-term investments	(121,047)	-
Changes in assets and liabilities:		
Accounts receivable	(14,160)	(10,723)
Inventories	37,080	6,308
Accounts payable	(27,053)	29,537
Payroll taxes payable	(449)	957
Deferred revenue	436	(191)
Accrued interest	(1,262)	(78)
Sales tax payable	(48)	50
Net cash provided by operating activities	<u>136,215</u>	<u>92,831</u>
Cash Flows Used in Investing Activities		
Purchases of property and equipment	<u>(70,951)</u>	<u>(63,120)</u>
Cash Flows From Financing Activities		
Gifts restricted for long-term investments	121,047	-
Repayments of long-term debt	<u>(23,964)</u>	<u>(25,445)</u>
Net cash provided by (used in) financing activities	<u>97,083</u>	<u>(25,445)</u>
Increase in cash and cash equivalents	162,347	4,266
Cash and Cash Equivalents, Beginning	<u>378,929</u>	<u>374,663</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 541,276</u></u>	<u><u>\$ 378,929</u></u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u><u>\$ 18,448</u></u>	<u><u>\$ 17,944</u></u>
Supplemental Disclosure of Noncash Investing Activities and Financing Activities		
Vehicle acquisition financed	<u><u>\$ 17,476</u></u>	<u><u>\$ 18,144</u></u>

See notes to financial statements

St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2019 and 2018

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 June 30, 2020, the date the financial statements were available to be issued.

In April 2020, the Monastery applied for and was approved for a loan pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief and Economic Security (CARES) Act. The Company received the loan proceeds on May 14, 2020. The principal amount of the loan is \$40,179 and there are no collateral or guarantee requirements. Under the terms of the PPP, payments will be deferred to December 2, 2020, the loan will bear interest at 1 percent per annum and will mature on May 2, 2022. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan amount may be forgiven; however, the amount and timing of any forgiveness is uncertain.

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 revenue 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 related to bookstore sales 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.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2019 and 2018

Property and Equipment

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

Gifts of long-lived assets such as land, buildings or equipment are reported as without donor restrictions 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 with donor restrictions. 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.

Classification of Net Assets

Without Donor Restrictions - The Monastery's net assets without donor restrictions represent the portion of expendable funds that are available for support of the Monastery's general operations.

With Donor Restrictions - The Monastery's net assets with donor restrictions include contributions received that are restricted for specific time periods, uses and purposes as specified by the donors. The Monastery reports release of donor restricted net assets when the donor stipulations or time restrictions have been met. Net assets with donor restrictions include contributions to fund construction of the Liturgical Arts Center and the new Monks House.

Revenue Recognition

Revenue from the sale of cemetery plots is recognized when funds are received. Accounting principles generally accepted in the United States of America require that revenue from exchange transactions is recorded as contract obligations until the performance obligation is satisfied through performance of interment services. 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.

Revenue derived from bookstore sales is recognized when merchandise is delivered to the buyer.

Revenue derived from iconography project sales is recognized when the performance obligation of the project is satisfied.

The Monastery recognizes contributions when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest or bequest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

Functional Expenses

The costs of operating the Monastery have been summarized on the statements of activities. Directly identifiable expenses are charged to programs and supporting services.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2019 and 2018

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 donor 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Collections of Religious Artifacts

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

Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and amortized over the term of the related debt using the straight-line method, which approximates the interest method. Amortization expense was \$836 in 2019 and \$838 in 2018. Deferred financing costs are presented as a reduction in the carrying amount of the debt liability on the statements of financial position. See Note 3.

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 2019 and 2018.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform with the 2019 classifications and had no effect on previously reported net assets for the year ended December 31, 2018.

Accounting Standards Adopted in the Current Year

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. There were expanded disclosures included in the financial statements as a result of adoption of ASU 2014-09 as well as a disclosure describing the departure from generally accepted accounting principles related to the sale of cemetery plots.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. There were no significant changes to the financial statements as a result of adoption of ASU 2018-08.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2019 and 2018

2. Property and Equipment, Net

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

	2019	2018
Land	\$ 5,300	\$ 5,300
Land improvements	27,777	10,199
Buildings and improvements	3,385,327	3,355,225
Furniture	37,306	37,306
Equipment	85,975	66,754
Vehicles	116,903	102,130
Construction in progress	3,000	-
Total	3,661,588	3,576,914
Less accumulated depreciation	2,070,237	1,945,376
Property and equipment, net	\$ 1,591,351	\$ 1,631,538

Depreciation expense was \$128,614 in 2019 and \$120,808 in 2018.

3. Long-Term Debt

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

	2019	2018
Bookstore		
<u>Honesdale National Bank</u>		
Mortgage loan, monthly payments 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	\$ 293,779	\$ 310,565
Monastery		
<u>Kia Finance</u>		
Note payable in monthly installments of \$326, including interest at 6.29% for 72 months, maturing October 2023; secured by vehicle	13,245	16,215
<u>Volkswagen Credit</u>		
Note payable in monthly installments of \$325, including interest at 2.90% for 60 months, maturing July 2023; secured by vehicle	13,274	16,416
<u>Volkswagen Credit</u>		
Note payable in monthly installments of \$321, including interest at 3.99% for 60 months, maturing August 2024; secured by vehicle	16,410	-
	336,708	343,196
Less deferred financing costs	10,046	10,882
Less current portion	27,920	26,932
Long-term debt	\$ 298,742	\$ 305,382

St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2019 and 2018

Scheduled principal repayments for periods subsequent to December 31, 2019 are as follows:

Years ending December 31:	
2020	\$ 27,920
2021	29,374
2022	30,906
2023	30,212
2024	24,885
Thereafter	193,411
Total	<u>\$ 336,708</u>

4. Net Assets

Net assets with donor restrictions at December 31 are as follows:

	2019	2018
Liturgical Arts Center	\$ 119,947	\$ -
Monks House	1,100	-
	<u>\$ 121,047</u>	<u>\$ -</u>

5. Functional Expenses

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

		2019	
	Monastery	Bookstore	Total
Cost of goods sold	\$ -	\$ 410,136	\$ 410,136
Other operating	304,321	113,465	417,786
Repairs and maintenance	202,343	4,408	206,751
Salary and wages	-	204,672	204,672
Depreciation and amortization	82,681	46,769	129,450
Supplies	88,488	20,456	108,944
Insurance	56,460	38,904	95,364
Utilities	64,492	17,600	82,092
Fundraising, special events	30,018	24,607	54,625
Conferences	30,299	250	30,549
Memberships	12,943	5,865	18,808
Interest	1,591	15,595	17,186
Payroll taxes	-	14,754	14,754
Professional fees	2,497	9,406	11,903
Royalties expense	-	7,581	7,581
Advertising	1,300	4,006	5,306
Total expenses	<u>\$ 877,433</u>	<u>\$ 938,474</u>	<u>\$ 1,815,907</u>

St. Tikhon's Orthodox Monastery

Notes to Financial Statements

December 31, 2019 and 2018

	2018		
	Monastery	Bookstore	Total
Cost of goods sold	\$ -	\$ 398,464	\$ 398,464
Other operating	124,696	112,781	237,477
Repairs and maintenance	211,146	16,218	227,364
Salary and wages	-	197,202	197,202
Depreciation and amortization	74,945	46,701	121,646
Supplies	76,689	19,152	95,841
Insurance	67,000	38,400	105,400
Utilities	71,305	21,662	92,967
Fundraising, special events	22,567	24,016	46,583
Conferences	66,087	19,501	85,588
Memberships	12,392	2,640	15,032
Interest	1,312	16,544	17,856
Payroll taxes	-	14,389	14,389
Professional fees	3,051	7,725	10,776
Royalties expense	-	7,550	7,550
Advertising	15,775	3,788	19,563
Other personnel	-	2,430	2,430
Total expenses	<u>\$ 746,965</u>	<u>\$ 949,163</u>	<u>\$ 1,696,128</u>

6. Related-Party Transactions

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

	2019	2018
General insurance reimbursement	\$ 42,500	\$ 38,400
Contributions	6,259	4,270
Health insurance reimbursement	11,044	18,880
Total	<u>\$ 59,803</u>	<u>\$ 61,550</u>

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

Notes to Financial Statements

December 31, 2019 and 2018

8. Liquidity and Availability of Resources

The Monastery's financial assets available for general expenditure within one year of the statements of financial position date for general expenditures are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 541,276	\$ 378,929
Accounts receivable	<u>88,071</u>	<u>73,911</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 629,347</u>	<u>\$ 452,840</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department

December 31, 2019

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 478,380	\$ 62,896	\$ 541,276
Accounts receivable	-	88,071	88,071
Inventories	-	289,988	289,988
Total current assets	478,380	440,955	919,335
Property and Equipment, Net	995,335	596,016	1,591,351
Total assets	<u>\$ 1,473,715</u>	<u>\$ 1,036,971</u>	<u>\$ 2,510,686</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	\$ 9,987	\$ 17,933	\$ 27,920
Accounts payable	17,957	9,086	27,043
Interdepartmental (receivable) payable	(1,023,915)	1,023,915	-
Payroll taxes payable	-	3,369	3,369
Deferred revenue	-	1,224	1,224
Sales tax payable	-	750	750
Total current liabilities	(995,971)	1,056,277	60,306
Long-Term Debt	32,942	265,800	298,742
Total liabilities	<u>(963,029)</u>	<u>1,322,077</u>	<u>359,048</u>
Net Assets			
Without donor restrictions	2,315,697	(285,106)	2,030,591
With donor restrictions	121,047	-	121,047
Total net assets	<u>2,436,744</u>	<u>(285,106)</u>	<u>2,151,638</u>
Total liabilities and net assets	<u>\$ 1,473,715</u>	<u>\$ 1,036,971</u>	<u>\$ 2,510,686</u>

St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department
December 31, 2018

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 368,123	\$ 10,806	\$ 378,929
Accounts receivable	-	73,911	73,911
Inventories	-	327,068	327,068
Total current assets	368,123	411,785	779,908
Property and Equipment, Net	<u>995,490</u>	<u>636,048</u>	<u>1,631,538</u>
Total assets	<u>\$ 1,363,613</u>	<u>\$ 1,047,833</u>	<u>\$ 2,411,446</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	\$ 6,432	\$ 20,500	\$ 26,932
Accounts payable	14,202	39,894	54,096
Interdepartmental (receivable) payable	(987,444)	987,444	-
Payroll taxes payable	-	3,818	3,818
Deferred revenue	-	788	788
Accrued interest	-	1,262	1,262
Sales tax payable	-	798	798
Total current liabilities	(966,810)	1,054,504	87,694
Long-Term Debt	<u>26,199</u>	<u>279,183</u>	<u>305,382</u>
Total liabilities	(940,611)	1,333,687	393,076
Net Assets			
Without donor restrictions	<u>2,304,224</u>	<u>(285,854)</u>	<u>2,018,370</u>
Total liabilities and net assets	<u>\$ 1,363,613</u>	<u>\$ 1,047,833</u>	<u>\$ 2,411,446</u>

St. Tikhon's Orthodox Monastery

Schedule of Activities by Department
Year Ended December 31, 2019

	Without Donor Restrictions Monastery	With Donor Restrictions Monastery	Without Donor Restrictions Bookstore	Totals
Support and Revenue				
Bookstore	\$ -	\$ -	\$ 802,615	\$ 802,615
Contributions	725,481	121,047	102,144	948,672
Bequests	63,712	-	-	63,712
Cemetery plots	81,675	-	-	81,675
Iconography projects	-	-	34,450	34,450
Assessment and dues	10,570	-	-	10,570
Activities	6,910	-	-	6,910
Investment income	557	-	14	571
	<u>888,905</u>	<u>121,047</u>	<u>939,223</u>	<u>1,949,175</u>
Total support and revenue				
Expenses				
Operating	610,966	-	227,423	838,389
Cost of goods sold	-	-	410,136	410,136
Personnel	142,271	-	198,615	340,886
Administrative	106,492	-	54,518	161,010
Fundraising, special events	16,112	-	24,607	40,719
Interest	1,591	-	15,595	17,186
Royalties expense	-	-	7,581	7,581
	<u>877,432</u>	<u>-</u>	<u>938,475</u>	<u>1,815,907</u>
Total expenses				
Increase in net assets	<u>\$ 11,473</u>	<u>\$ 121,047</u>	<u>\$ 748</u>	<u>\$ 133,268</u>

St. Tikhon's Orthodox Monastery

Schedule of Activities by Department

Year Ended December 31, 2018

	Without Donor Restrictions Monastery	Without Donor Restrictions Bookstore	Totals
Support and Revenue			
Bookstore	\$ -	\$ 770,510	\$ 770,510
Contributions	576,902	51,225	628,127
Bequests	99,445	-	99,445
Cemetery plots	72,400	-	72,400
Iconography projects	-	50,750	50,750
Assessment and dues	11,805	-	11,805
Activities	8,010	-	8,010
Investment income	395	11	406
	<u>768,957</u>	<u>872,496</u>	<u>1,641,453</u>
Total support and revenue			
	<u>768,957</u>	<u>872,496</u>	<u>1,641,453</u>
Expenses			
Operating	456,027	252,692	708,719
Cost of goods sold	-	398,464	398,464
Personnel	167,196	196,151	363,347
Administrative	99,863	53,736	153,599
Fundraising, special events	22,567	24,016	46,583
Interest	1,312	16,554	17,866
Royalties expense	-	7,550	7,550
	<u>746,965</u>	<u>949,163</u>	<u>1,696,128</u>
Total expenses			
	<u>746,965</u>	<u>949,163</u>	<u>1,696,128</u>
Increase (decrease) in net assets	\$ 21,992	\$ (76,667)	\$ (54,675)

St. Tikhon's Orthodox Monastery**Schedule of Operating, Personnel and Administrative Expenses by Department**

Year Ended December 31, 2019

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Operating			
Repairs and maintenance	\$ 202,343	\$ 4,408	\$ 206,751
Depreciation and amortization	82,681	46,769	129,450
Chamber Choir	28,232	89,118	117,350
Contributions and stipends	71,986	-	71,986
Utilities	55,862	9,973	65,835
Supplies	61,968	915	62,883
Insurance	331	38,400	38,731
Equipment	34,497	-	34,497
Liturgical	33,392	-	33,392
Credit card fees	(850)	21,560	20,710
Assessments and dues	14,230	5,865	20,095
Telephone	8,629	7,627	16,256
Cemetery costs	15,500	-	15,500
Bank fees	2,165	2,788	4,953
	<u>2,165</u>	<u>2,788</u>	<u>4,953</u>
Total operating	<u>\$ 610,966</u>	<u>\$ 227,423</u>	<u>\$ 838,389</u>
Personnel			
Salary and wages	\$ -	\$ 184,872	\$ 184,872
Maintenance and support	86,142	-	86,142
Health insurance	56,129	504	56,633
Payroll taxes	-	13,239	13,239
	<u>-</u>	<u>13,239</u>	<u>13,239</u>
Total personnel	<u>\$ 142,271</u>	<u>\$ 198,615</u>	<u>\$ 340,886</u>
Administrative			
Office supplies	\$ 40,426	\$ 19,541	\$ 59,967
Automobile	31,970	-	31,970
Travel	30,299	250	30,549
Salary and wages	-	19,800	19,800
Professional fees	2,497	9,406	11,903
Advertising	1,300	4,006	5,306
Payroll taxes	-	1,515	1,515
	<u>-</u>	<u>1,515</u>	<u>1,515</u>
Total administrative	<u>\$ 106,492</u>	<u>\$ 54,518</u>	<u>\$ 161,010</u>

St. Tikhon's Orthodox Monastery

Schedule of Operating, Personnel and Administrative Expenses by Department
Year Ended December 31, 2018

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Operating			
Repairs and maintenance	\$ 110,950	\$ 16,218	\$ 127,168
Depreciation and amortization	74,945	46,701	121,646
Utilities	63,034	14,006	77,040
Contributions and stipends	65,386	-	65,386
Chamber Choir	-	56,466	56,466
Supplies	42,913	2,787	45,700
Iconography projects	-	45,190	45,190
Insurance	-	38,400	38,400
Liturgical	30,121	-	30,121
Equipment	22,993	-	22,993
Cemetery costs	21,878	-	21,878
Credit card fees	16	19,237	19,253
Assessments and dues	13,665	2,640	16,305
Telephone	8,271	7,656	15,927
Bank fees	1,855	3,391	5,246
	<u>\$ 456,027</u>	<u>\$ 252,692</u>	<u>\$ 708,719</u>
Total operating			
	<u>\$ 456,027</u>	<u>\$ 252,692</u>	<u>\$ 708,719</u>
Personnel			
Salary and wages	\$ -	\$ 180,602	\$ 180,602
Maintenance and support	100,196	-	100,196
Health insurance	67,000	2,430	69,430
Payroll taxes	-	13,119	13,119
	<u>-</u>	<u>13,119</u>	<u>13,119</u>
Total personnel			
	<u>\$ 167,196</u>	<u>\$ 196,151</u>	<u>\$ 363,347</u>
Administrative			
Office supplies	\$ 33,776	\$ 16,365	\$ 50,141
Automobile	28,500	-	28,500
Travel	18,761	7,988	26,749
Advertising	15,775	3,788	19,563
Salary and wages	-	16,600	16,600
Professional fees	3,051	7,725	10,776
Payroll taxes	-	1,270	1,270
	<u>-</u>	<u>1,270</u>	<u>1,270</u>
Total administrative			
	<u>\$ 99,863</u>	<u>\$ 53,736</u>	<u>\$ 153,599</u>

St. Tikhon's Orthodox Monastery

Financial Statements and
Supplementary Information

December 31, 2018 and 2017

St. Tikhon's Orthodox Monastery

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Independent Accountants' Review Report

To the Board of Directors of
St. Tikhon's Orthodox Monastery

We have reviewed the accompanying financial statements of St. Tikhon's Orthodox Monastery, which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Wilkes-Barre, Pennsylvania

Date of Report

St. Tikhon's Orthodox Monastery

Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 378,929	\$ 374,663
Accounts receivable	73,911	63,188
Inventories	<u>327,068</u>	<u>333,376</u>
Total current assets	779,908	771,227
Property and Equipment, Net	1,631,538	1,671,082
Deferred Financing Costs, Net	<u>10,882</u>	<u>11,720</u>
Total assets	<u><u>\$ 2,422,328</u></u>	<u><u>\$ 2,454,029</u></u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 26,932	\$ 22,274
Accounts payable	54,096	24,559
Payroll taxes payable	3,818	2,861
Deferred revenue	788	979
Accrued interest	1,262	1,340
Sales tax payable	<u>798</u>	<u>748</u>
Total current liabilities	87,694	52,761
Long-Term Debt	<u>316,264</u>	<u>328,223</u>
Total liabilities	403,958	380,984
Net Assets		
Without donor restrictions	<u>2,018,370</u>	<u>2,073,045</u>
Total liabilities and net assets	<u><u>\$ 2,422,328</u></u>	<u><u>\$ 2,454,029</u></u>

See notes to financial statements

St. Tikhon's Orthodox Monastery

Statements of Activities

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in Net Assets Without Donor Restrictions		
Support and Revenue		
Bookstore	\$ 770,510	\$ 729,436
Contributions	590,384	484,815
Bequests	99,445	77,572
Cemetery plots	72,400	56,924
Iconography projects	50,750	104,000
Activities	45,753	46,850
Assessment and dues	11,805	10,530
Investment income	406	2,446
	<u>1,641,453</u>	<u>1,512,573</u>
Total support and revenue		
Expenses		
Operating	708,719	627,313
Cost of goods sold	398,464	428,067
Personnel	363,347	332,082
Administrative	153,599	126,281
Fundraising, special events	46,583	55,007
Interest	17,866	14,811
Royalties expense	7,550	-
	<u>1,696,128</u>	<u>1,583,561</u>
Total expenses		
Decrease in net assets	(54,675)	(70,988)
Net Assets, Beginning	<u>2,073,045</u>	<u>2,144,033</u>
Net Assets, Ending	<u><u>\$ 2,018,370</u></u>	<u><u>\$ 2,073,045</u></u>

St. Tikhon's Orthodox Monastery

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (54,675)	\$ (70,988)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	121,646	116,752
Changes in assets and liabilities:		
Accounts receivable	(10,723)	(8,043)
Inventories	6,308	35,973
Accounts payable	29,537	(10,717)
Payroll taxes payable	957	692
Deferred revenue	(191)	(45)
Accrued interest	(78)	(255)
Sales tax payable	50	18
	<u>92,831</u>	<u>63,387</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(63,120)	(95,473)
Advance to related party	-	25,000
	<u>(63,120)</u>	<u>(70,473)</u>
Cash used in investing activities		
Cash Flows Used in Financing Activities		
Repayments of long-term debt	(25,445)	(32,353)
	<u>(25,445)</u>	<u>(32,353)</u>
Increase (decrease) in cash and cash equivalents	4,266	(39,439)
Cash and Cash Equivalents, Beginning	<u>374,663</u>	<u>414,102</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 378,929</u></u>	<u><u>\$ 374,663</u></u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u><u>\$ 17,944</u></u>	<u><u>\$ 15,066</u></u>
Supplemental Disclosure of Noncash Investing Activities and Financing Activities		
Vehicle acquisition financed with manufacturer	<u><u>\$ 18,144</u></u>	<u><u>\$ 19,480</u></u>

See notes to financial statements

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2018 and 2017

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 **Date of Report**, 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.

Gifts of long-lived assets such as land, buildings, or equipment are reported as without donor restrictions 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 with donor restrictions. 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.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2018 and 2017

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.

Functional Expenses

The costs of operating the Monastery have been summarized on the statements of activities. Employee salaries and benefits have been allocated based upon the estimated time and effort of Monastery employees.

Donor-Restricted Gifts

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

Collections of Religious Artifacts

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

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2018 and 2017

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 2018 and 2017. This amount is reported net of accumulated amortization of \$5,861 in 2018 and \$5,023 in 2017.

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 2018 and 2017.

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 beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. 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 is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position and cash flows.

During June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018. The Monastery is currently assessing the impact that ASU No. 2018-08 will have on its results of operations, financial position and cash flows.

New Accounting Standards Adopted

In 2018, the Monastery adopted FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 928): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Monastery has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures relating to the liquidity and availability of resources. This disclosure has been presented for 2018 only, as allowed under ASU No. 2016-14.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2018 and 2017

The three classes of net assets used in financial statements of nonprofit organizations (unrestricted, temporarily restricted, and permanently restricted) were replaced with two classes of net assets - net asset with donor restrictions and net assets without donor restrictions. Because the definition of donor-imposed restriction is essentially unchanged, the effect of the change is that temporarily restricted net assets and permanently restricted net assets are combined and became a single class called with donor restrictions. Unrestricted net asset are now referred to as net assets without donor restrictions.

As a result of the adoption of ASU No. 2016, the net assets of the Monastery as of January 1, 2018 were reclassified as follows:

	After Adoption of ASU 2016-14	As Originally Presented
Net assets without donor restrictions	\$ 2,073,045	\$ -
Net assets, unrestricted	<u>-</u>	<u>2,073,045</u>
Total	<u><u>\$ 2,073,045</u></u>	<u><u>\$ 2,073,045</u></u>

2. Property and Equipment, Net

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

	2018	2017
Land	\$ 5,300	\$ 5,300
Land improvements	10,199	7,699
Buildings and improvements	3,355,225	3,307,104
Furniture	37,306	37,306
Equipment	66,754	56,255
Vehicles	<u>102,130</u>	<u>94,408</u>
Total	3,576,914	3,508,072
Less accumulated depreciation	<u>1,945,376</u>	<u>1,836,990</u>
Property and equipment, net	<u><u>\$ 1,631,538</u></u>	<u><u>\$ 1,671,082</u></u>

Depreciation expense was \$120,808 in 2018 and \$115,914 in 2017.

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2018 and 2017

3. Long-Term Debt

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

	<u>2018</u>	<u>2017</u>
Bookstore		
<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	\$ 310,565	\$ 331,464
<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	16,215	19,033
<u>Volkswagen Credit</u>		
Note payable in monthly installments of \$325, including interest at 2.90% for 60 months, maturing July 2023, secured by personal property	16,416	-
Total	343,196	350,497
Less current portion	<u>26,932</u>	<u>22,274</u>
Long-term debt	<u>\$ 316,264</u>	<u>\$ 328,223</u>

Scheduled principal repayments for periods subsequent to December 31, 2018 are as follows:

Years ending December 31:	
2019	\$ 26,932
2020	28,127
2021	29,465
2022	30,868
2023	29,710
Thereafter	<u>198,094</u>
Total	<u>\$ 343,196</u>

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2018 and 2017

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:

	2018		
	Monastery	Bookstore	Total
Cost of goods sold	\$ -	\$ 398,464	\$ 398,464
Other operating	227,219	148,596	375,815
Repairs and maintenance	211,146	16,218	227,364
Salary and wages	-	197,202	197,202
Depreciation and amortization	74,945	46,701	121,646
Insurance	67,000	38,400	105,400
Supplies	76,689	19,152	95,841
Other administrative	66,087	19,501	85,588
Fundraising, special events	22,567	24,016	46,583
Interest	1,312	16,544	17,856
Payroll taxes	-	14,389	14,389
Royalties expense	-	7,550	7,550
Other personnel	-	2,430	2,430
Total expenses	<u>\$ 746,965</u>	<u>\$ 949,163</u>	<u>\$ 1,696,128</u>
	2017		
	Monastery	Bookstore	Total
Cost of goods sold	\$ -	\$ 428,067	\$ 428,067
Other operating	175,702	135,330	311,032
Repairs and maintenance	214,846	11,183	226,029
Salary and wages	-	152,124	152,124
Insurance	82,941	38,400	121,341
Depreciation and amortization	70,123	46,629	116,752
Other administrative	56,598	15,172	71,770
Supplies	50,863	19,851	70,714
Fundraising, special events	16,391	38,616	55,007
Interest	203	14,608	14,811
Payroll taxes	-	11,211	11,211
Other personnel	-	4,703	4,703
Total expenses	<u>\$ 667,667</u>	<u>\$ 915,894</u>	<u>\$ 1,583,561</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:

	2018	2017
General insurance reimbursement	\$ 39,400	\$ 38,400
Contributions	4,270	12,582
Health insurance reimbursement	17,880	19,550
Total	<u>\$ 61,550</u>	<u>\$ 70,532</u>

St. Tikhon's Orthodox Monastery

Notes to Financial Statements
December 31, 2018 and 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.

8. Liquidity and Availability of Resources

The following table reflects the Monastery's financial assets available for general expenditure within one year at December 31, 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:	
Cash and cash equivalents	\$ 378,929
Accounts receivable	<u>73,911</u>
Total financial assets	<u><u>\$ 452,840</u></u>

St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department
December 31, 2018

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 368,123	\$ 10,806	\$ 378,929
Accounts receivable	-	73,911	73,911
Inventories	-	327,068	327,068
Total current assets	368,123	411,785	779,908
Property and Equipment, Net	995,490	636,048	1,631,538
Deferred Financing Costs, Net	-	10,882	10,882
Total assets	<u>\$ 1,363,613</u>	<u>\$ 1,058,715</u>	<u>\$ 2,422,328</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	\$ 6,432	\$ 20,500	\$ 26,932
Accounts payable	14,202	39,894	54,096
Due (from) to related party	(987,444)	987,444	-
Payroll taxes payable	-	3,818	3,818
Deferred revenue	-	788	788
Accrued interest	-	1,262	1,262
Sales tax payable	-	798	798
Total current liabilities	(966,810)	1,054,504	87,694
Long-Term Debt	26,199	290,065	316,264
Total liabilities	(940,611)	1,344,569	403,958
Net Assets			
Without donor restrictions	2,304,224	(285,854)	2,018,370
Total liabilities and net assets	<u>\$ 1,363,613</u>	<u>\$ 1,058,715</u>	<u>\$ 2,422,328</u>

St. Tikhon's Orthodox Monastery

Schedule of Financial Position by Department
December 31, 2017

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Assets			
Current Assets			
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
Property and Equipment, Net	989,171	681,911	1,671,082
Deferred Financing Costs, Net	-	11,720	11,720
Total assets	<u>\$ 1,343,477</u>	<u>\$ 1,110,552</u>	<u>\$ 2,454,029</u>
Liabilities and Net Assets			
Current Liabilities			
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
Long-Term Debt	16,244	311,979	328,223
Total liabilities	(938,755)	1,319,739	380,984
Net Assets			
Without donor restrictions	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 Activities by Department
 Year Ended December 31, 2018

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Changes in Net Assets Without Donor Restrictions			
Support and Revenue			
Bookstore	\$ -	\$ 770,510	\$ 770,510
Contributions	539,159	51,225	590,384
Bequests	99,445	-	99,445
Cemetery plots	72,400	-	72,400
Iconography projects	-	50,750	50,750
Activities	45,753	-	45,753
Assessment and dues	11,805	-	11,805
Investment income	395	11	406
	<u>768,957</u>	<u>872,496</u>	<u>1,641,453</u>
Total support and revenue			
Expenses			
Operating	456,027	252,692	708,719
Cost of goods sold	-	398,464	398,464
Personnel	167,196	196,151	363,347
Administrative	99,863	53,736	153,599
Fundraising, special events	22,567	24,016	46,583
Interest	1,312	16,554	17,866
Royalties expense	-	7,550	7,550
	<u>746,965</u>	<u>949,163</u>	<u>1,696,128</u>
Total expenses			
Decrease in net assets	<u>\$ 21,992</u>	<u>\$ (76,667)</u>	<u>\$ (54,675)</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>
Changes in Net Assets Without Donor Restrictions			
Support and Revenue			
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			
Expenses			
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 Operating, Personnel, and Administrative Expenses by Department
 Year Ended December 31, 2018

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Operating			
Repairs and maintenance	\$ 110,950	\$ 16,218	\$ 127,168
Depreciation and amortization	74,945	46,701	121,646
Utilities	63,034	14,006	77,040
Contributions and stipends	65,386	-	65,386
Chamber Choir	-	56,466	56,466
Supplies	42,913	2,787	45,700
Iconography projects	-	45,190	45,190
Insurance	-	38,400	38,400
Liturgical	30,121	-	30,121
Equipment	22,993	-	22,993
Cemetery costs	21,878	-	21,878
Credit card fees	16	19,237	19,253
Assessments and dues	13,665	2,640	16,305
Telephone	8,271	7,656	15,927
Bank fees	1,855	3,391	5,246
	<u>\$ 456,027</u>	<u>\$ 252,692</u>	<u>\$ 708,719</u>
Total operating	<u>\$ 456,027</u>	<u>\$ 252,692</u>	<u>\$ 708,719</u>
Personnel			
Salary and wages	\$ -	\$ 180,602	\$ 180,602
Maintenance and support	100,196	-	100,196
Health insurance	67,000	2,430	69,430
Payroll taxes	-	13,119	13,119
	<u>\$ 167,196</u>	<u>\$ 196,151</u>	<u>\$ 363,347</u>
Total personnel	<u>\$ 167,196</u>	<u>\$ 196,151</u>	<u>\$ 363,347</u>
Administrative			
Office supplies	\$ 33,776	\$ 16,365	\$ 50,141
Automobile	28,500	-	28,500
Travel	18,761	7,988	26,749
Advertising	15,775	3,788	19,563
Salary and wages	-	16,600	16,600
Professional fees	3,051	7,725	10,776
Payroll taxes	-	1,270	1,270
	<u>\$ 99,863</u>	<u>\$ 53,736</u>	<u>\$ 153,599</u>
Total administrative	<u>\$ 99,863</u>	<u>\$ 53,736</u>	<u>\$ 153,599</u>

St. Tikhon's Orthodox Monastery

Schedule of Operating, Personnel, and Administrative Expenses by Department
 Year Ended December 31, 2017

	<u>Monastery</u>	<u>Bookstore</u>	<u>Totals</u>
Operating			
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
	<u>2,748</u>	<u>1,970</u>	<u>4,718</u>
Total operating	<u>\$ 391,059</u>	<u>\$ 236,254</u>	<u>\$ 627,313</u>
Personnel			
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
	<u>-</u>	<u>10,109</u>	<u>10,109</u>
Total personnel	<u>\$ 179,546</u>	<u>\$ 152,536</u>	<u>\$ 332,082</u>
Administrative			
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
	<u>-</u>	<u>1,102</u>	<u>1,102</u>
Total administrative	<u>\$ 80,468</u>	<u>\$ 45,813</u>	<u>\$ 126,281</u>

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

Financial Statements

June 30, 2021

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

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Certified Public Accountants & Business Advisors
A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees

St. Tikhon's Orthodox Theological Seminary

Waymart, Pennsylvania

We have audited the accompanying financial statements of St. Tikhon's Orthodox Theological Seminary (a not-for-profit Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, changes in net assets 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 the 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.

Pittsburgh | Johnstown

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

Basis for Qualified Opinion

Because of the inadequacy of accounting records for the years prior to 2021, we were unable to obtain sufficient appropriate audit evidence regarding the endowment allocations recorded in the accompanying statement of financial position and notes to financial statements at June 30, 2021. Because of the inadequacy of accounting records during the year ended June 30, 2021, we were unable to obtain sufficient appropriate audit evidence regarding repairs and maintenance expense recorded in the statement of activities under expenses included in "Operations".

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of St. Tikhon's Orthodox Theological Seminary as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 14 to the financial statements, the beginning net assets have been restated to correct a misstatement made in a prior period. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was 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 23 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 records 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.



Catanese Group

Johnstown, Pennsylvania

March 4, 2022

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 13,421
Cash and cash equivalents, designated	423,630
Tuition receivables, net of allowance for doubtful accounts of \$49,928	56,522
Prepaid expenses	<u>19,008</u>
Total Current Assets	512,581

Other Assets

Certificates of Deposit	496,276
Investments	2,978,694
Interest in Net Assets of Affiliates	1,535
Property and equipment - net	<u>2,573,915</u>
Total Other Assets	<u>6,050,420</u>

Total Assets \$ 6,563,001

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 49,434
Payroll taxes payable	4,212
Current portion of long-term debt	20,358
Line of Credit	<u>461,121</u>
Total Current Liabilities	<u>535,125</u>

Long-Term Liabilities

Long-term debt, less current portion	<u>111,565</u>
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Total Liabilities \$ 646,690

Net Assets

Without donor restrictions:

Undesignated	2,573,851
Board designated	<u>423,630</u>
	2,997,481

With donor restrictions: 2,918,830

Total Net Assets 5,916,311

Total Liabilities and Net Assets \$ 6,563,001

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,554,919	\$ 220,426	\$ 1,775,345
Bequests	35,000	-	35,000
Tuition	287,054	-	287,054
Contributed services	70,008	-	70,008
Miscellaneous	279,709	-	279,709
Investment income	232,071	498,021	730,092
Net assets released from restrictions	442,470	(442,470)	-
 Total Revenue and Support	 2,901,231	 275,977	 3,177,208
Expenses			
Instructional	593,010	-	593,010
Operations	660,964	-	660,964
Administrative	808,924	-	808,924
Student services	118,696	-	118,696
Fundraising	16,700	-	16,700
Library	8,461	-	8,461
 Total Expenses	 2,206,755	 -	 2,206,755
 Net Increase (Decrease) in Net Assets	 \$ 694,476	 \$ 275,977	 \$ 970,453

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets - June 30, 2020	\$ 2,303,005	\$ 2,642,853	\$ 4,945,858
Net Increase (Decrease) in net assets	<u>694,476</u>	<u>275,977</u>	<u>970,453</u>
Net Assets - June 30, 2021	<u>\$ 2,997,481</u>	<u>\$ 2,918,830</u>	<u>\$ 5,916,311</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities

Net increase (decrease) in net assets	\$ 970,453
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:	
Depreciation	87,884
Bad debt expense	236,771
Gain on sale of property and equipment	(15,300)
Paycheck Protection Program forgiveness	(144,400)
Net unrealized gains on investments	(539,848)
Restricted contributions	(220,426)
Changes in assets and liabilities:	
Tuition receivables	(125,564)
Other receivables	21,167
Contributions receivable	149,359
Prepaid expenses	(19,008)
Accounts payable	16,272
Payroll taxes payable	<u>3,850</u>
Net Cash Provided by Operating Activities	<u>421,210</u>

Cash Flows from Investing Activities

Purchase of investments	(2,403,596)
Proceeds from sale of investments	2,165,499
Proceeds from sale of property and equipment	15,300
Purchase of property and equipment	(85,953)
Change in certificates of deposit	<u>11,720</u>
Net Cash (Used in) Investing Activities	<u>(297,030)</u>

Cash Flows from Financing Activities

Restricted contributions	220,426
Repayment of long-term debt	<u>(221,377)</u>
Net Cash (Used in) Financing Activities	<u>(951)</u>

Net Change in Cash and Cash Equivalents 123,229

Beginning Cash and Cash Equivalents 313,822

Ending Cash and Cash Equivalents \$ 437,051

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Supplemental disclosure of cash flow information:

Cash paid for interest	<u>\$ 69,813</u>
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Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents	\$ 13,421
Cash and cash equivalents, designated	<u>423,630</u>
Total cash and cash equivalents	<u>\$ 437,051</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1 – Organization

St. Tikhon's Orthodox Theological Seminary (the "Seminary") located in South Canaan, Pennsylvania 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 the 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 North 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.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Seminary have been prepared on the accrual basis of accounting.

For financial reporting purposes, the Seminary follows the reporting requirements of accounting principles generally accepted in the United States of America (GAAP), which require that resources are classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions.

Description of the two net asset categories are as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. These are currently available at the direction of the Board of Trustees for use in operations, invested in property and equipment or as endowments.

Net assets with donor restrictions - Net assets whose use by the Seminary is subject to donor imposed stipulations that can be fulfilled by actions of the Seminary pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect 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. The Seminary maintains its cash in bank deposit accounts, which may exceed the federally insured limits of \$250,000 per institution. The Seminary has not experienced any losses in such accounts and management believes that they are not exposed to any significant credit risk related to its cash and cash equivalents.

Cash and cash equivalents, designated are set aside by the Board of Trustees for certain projects or purposes.

Tuition receivables

Tuition receivables are reported at net realizable value. The Seminary provides for probable uncollectible amounts through a valuation allowance so that the net amount reflects the amount that management expects to collect. The valuation allowance is based on management's assessment of the current status of individual accounts, historical collection information, and existing economic conditions. It is reasonably possible that the estimate of the allowance for doubtful accounts will change. The Seminary does not recognize interest income on receivables. Bad debt expense for the year ended June 30, 2021 is \$236,771.

Prepaid expenses

Prepaid expenses consist of deposits and prepayments made in the current year that benefit future periods.

Certificates of Deposit

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

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Investments and Investment Risk

Investments are carried at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as income without donor restrictions 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 less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings and improvements (20-40 years), furniture (7-20 years), equipment (5-10 years), and vehicles (5 years). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized. All assets with a purchased cost, or fair value if acquired by gift, in excess of \$1,000 are capitalized.

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 without donor restriction 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.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

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 \$20,000 in 2021.

Revenue Recognition

Tuition (includes fees, room and board) revenue is recognized in the fiscal year in which the academic programs are delivered. Tuition contracts are considered to have a duration of less than one year. Transaction prices for tuition are determined based on applicable Seminary pricing schedules. Scholarships are reflected as a reduction of tuition revenue.

Amounts for tuition are due at the beginning of each semester. In accordance with the Seminary's refund policies students may receive a full refund up to three weeks or partial refund up to six weeks after the start of the semester. Tuition accounts receivable includes amounts to which the Seminary is unconditionally entitled. The Seminary considers such amounts as unconditional based on the payment due date.

Miscellaneous income consists of various sources of income which are generally transactional in nature and are recorded as they meet their performance obligation. Miscellaneous income in 2021 includes forgiveness of the Paycheck Protection Program loan in the amount of \$144,400.

The Seminary recognizes contributions and bequests when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right to return - are not recognized until the conditions on which they depend have been met.

Unconditional promises to give are recorded at the present value of estimated future cash flows. Contributions of assets other than cash are recorded at fair value at the date the promise is received. The gifts are reported as with donor restriction 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, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Contributed Services

For the year ended June 30, 2021, the Seminary recorded contributions in the amount of \$70,008 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.

Tax Status

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

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 2021. Management believes its non-profit status would be upheld upon examination. The Seminary is no longer subject to income tax examinations for years prior to 2017.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities based upon their natural classifications. Accordingly, certain costs have been allocated between instructional, operations, administrative, student services, fundraising, and library based upon the directly identifiable benefits.

New accounting standards

FASB has issued ASU 2016-02, Leases (Topic 842) which superseded the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance is effective for fiscal years beginning after December 15, 2021 and thus will be effective for the July 1, 2022 to June 30, 2023 fiscal year end.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

New accounting standards (continued)

FASB has issued ASU 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under the new guidance, contributed nonfinancial assets are to be separately stated as individual line items in the statement of activities, distinct from contributions of cash and other financial assets. The Not-for-Profit will be required to disclose whether the nonfinancial assets were liquidated rather than contributed as well as if the asset was used during the reporting period, how it was used. The valuation method of the asset will need to be disclosed along with any donor-imposed restrictions that were placed on the asset. The guidance is effective for annual reporting periods commencing after June 15, 2021 and thus will be effective for the July 1, 2021 to June 30, 2022 fiscal year end.

Subsequent events

Management has reviewed subsequent events and transactions through March 4, 2022, the date the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

Note 3 - Coronavirus Disease (COVID-19)

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. For the fiscal year ended June 30, 2021, the COVID-19 outbreak has had an adverse impact on the Seminary's operations including required modification of instruction, events, and communal life. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the Seminary's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, distribution of a vaccine, impact on students, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and management are monitoring the outbreak and potential financial impact, which are currently uncertain.

In April 2020, the Seminary applied for and was approved for funding pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the CARES Act. The Seminary received proceeds of \$144,400 on April 17, 2020 and there are no collateral or guarantee requirements. The Seminary applied for, and received forgiveness on the PPP loan during the year ended June 30, 2021, and as such recorded as revenue and support on the statement of activities within the line item miscellaneous.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 4 - Property and Equipment, Net

Property and equipment, net consists of the following at June 30, 2021:

Land	\$ 70,601
Buildings and Improvements	2,998,408
Furniture	109,065
Equipment	143,076
Construction-in-Progress	729,682
Vehicles	<u>26,970</u>
Total	4,077,802
Less Accumulated Depreciation	<u>(1,503,887)</u>
Property and Equipment, net	<u>\$ 2,573,915</u>

Note 5 - Investments and Fair Value Measurements

The composition of assets measured at fair value is as follows at June 30, 2021:

Certificates of Deposit	\$ 496,276
Money market	210,968
Marketable equity securities	<u>2,767,726</u>
Total	<u>\$ 3,474,970</u>

Investment return is comprised of the following for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 13,807	\$ 25,991	\$ 39,798
Realized gains on investments	33,098	117,348	150,446
Unrealized gains on investments	<u>185,166</u>	<u>354,682</u>	<u>539,848</u>
Total investment return	<u>\$ 232,071</u>	<u>\$ 498,021</u>	<u>\$ 730,092</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5 - Investments and Fair Value Measurements (continued)

Investment fees totaled \$11,281 in 2021. These fees are netted against interest and dividend income without donor restriction.

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 judgement 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, 2021 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market	\$ 210,968	\$ -	\$ 210,968
Marketable Equity Securities	2,767,726	-	2,767,726
Certificates of Deposit	-	496,276	496,276
Total Investments	<u>\$ 2,978,694</u>	<u>\$ 496,276</u>	<u>\$ 3,474,970</u>

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

The carrying value of money market accounts approximated 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. Certificates of deposit are measured at cost plus accumulated interest which approximates fair value.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6 - Liquidity and Funds Available

The following table reflects the Seminary's financial assets which are available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year due to contractual or Board of Trustees action. Assets considered illiquid are assets restricted by donors for capital purposes, perpetual and Board-designated endowments and accumulated earnings thereon. The Board-designated endowments could be drawn upon if the Board of Trustees approves that action.

Cash and cash equivalents	\$ 13,421
Cash and Cash Equivalents, Designated	423,630
Tuition Receivables	<u>56,522</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 493,573</u>

The Seminary structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Seminary also maintains a \$500,000 operating line of credit of which \$38,879 is available, which can be drawn upon in the event of a liquidity need.

Note 7 - 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 Wall Street Prime Floating Rate with a floor rate of 3.50 percent (3.50 percent at June 30, 2021). The line of credit is secured by the business assets of the Seminary and renews annually on December 31. Borrowings totaled \$461,121 at June 30, 2021.

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, 2021.

Note 8 - Long-Term Debt

Long-term debt consisted of the following at June 30, 2021:

Term note with bank, payable in monthly payments of \$2,261 including interest at 4% through December 2026; secured by investments valued at 125% or more of the loan value	\$ 131,923
Less Current Portion	<u>(20,358)</u>
Long-Term Debt, less Current Portion	<u>\$ 111,565</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 8 - Long-Term Debt (continued)

Scheduled principal repayments of long-term debt as of June 30, 2021 are as follows:

2022	\$	20,358
2023		23,090
2024		24,030
2025		25,010
2026		26,028
Thereafter		<u>13,407</u>
Total	\$	<u>131,923</u>

Note 9 - Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan (the "Plan"). The Plan is a nonelecting 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 based upon the results of these valuations.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 9 - Pension Plan (continued)

Participating members are required at a minimum to contribute 6 percent of their qualifying salary (including amounts paid as housing allowances for clergy) to the Plan, with the employer contributing 8 percent. Pension expense was \$67,721 in 2021. The vesting schedule of the Plan is as follows:

<u>Years of Service</u>	<u>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, 2019) 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.

Note 10 - Functional Expenses

The table below presents the Seminary's expenses by nature and function at June 30, 2021:

	<u>Instructional</u>	<u>Operations</u>	<u>Administrative</u>	<u>Student Services</u>	<u>Fundraising</u>	<u>Library</u>	<u>Total 2021</u>
Salaries and wages	\$ 270,625	\$ -	\$ 466,660	\$ -	\$ -	\$ -	\$ 737,285
Adjunct wages	132,448	-	-	-	-	-	132,448
Employee benefits	81,937	-	141,289	-	-	-	223,226
Supplies and other	4,300	179,499	73,066	118,696	16,700	8,461	400,722
Donated services	70,008	-	-	-	-	-	70,008
Insurance	-	50,007	-	-	-	-	50,007
Utilities	-	83,754	-	-	-	-	83,754
Bad debt expense	-	236,771	-	-	-	-	236,771
Depreciation	-	87,884	-	-	-	-	87,884
Interest	-	-	69,813	-	-	-	69,813
Taxes	33,692	23,049	58,096	-	-	-	114,837
Total	\$ 593,010	\$ 660,964	\$ 808,924	\$ 118,696	\$ 16,700	\$ 8,461	\$ 2,206,755

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021:

Net assets with donor restrictions:	
Subject to expenditure for specified purpose:	
Scholarships and awards	\$ 540,638
Interest in net assets of affiliate	1,535
Total	<u>542,173</u>
Subject to the passage of time:	
General endowments	<u>280,441</u>
Subject to restriction in perpetuity:	
General endowments	692,807
Scholarships and awards	1,403,409
Total	<u>2,096,216</u>
Total net assets with donor restrictions	<u>\$ 2,918,830</u>

Note 12 - Endowment Funds

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted and Board of Trustees designated funds. 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 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 net assets with donor restrictions (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 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.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 12 - Endowment Funds (continued)

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.

Changes in endowment net assets in 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	\$ 253,615	\$ 2,642,853	\$ 2,896,468
Investment return:			
Investment income	13,807	25,991	39,798
Net realized and unrealized gains	218,264	472,030	690,294
Total investment return	232,071	498,021	730,092
Transfers/contributions	495,620	220,426	716,046
Funds released from restriction	-	(442,470)	(442,470)
Endowment net assets, June 30, 2021	\$ 981,306	\$ 2,918,830	\$ 3,900,136

Note 13 - Prior Period Adjustment

During the year ended June 30, 2021, Seminary management was made aware of an investment account in the name of the Seminary in the amount of \$159,308 that had been previously unreported in the Seminary's financial statements.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 13 - Prior Period Adjustment (continued)

The effect of the adjustment to net assets is as follows:

Net assets without donor restrictions beginning of year as previously reported	\$ 2,143,697
To recognize the investment account	<u>159,308</u>
Net assets without donor restrictions beginning of year, restated	<u><u>\$ 2,303,005</u></u>

SUPPLEMENTARY INFORMATION

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND
OPERATIONS EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Instructional	
Faculty wages	\$ 270,625
Adjunct faculty	132,448
Employee benefits	57,080
Donated services	70,008
Pension	24,857
Payroll taxes	33,692
Payroll processing	2,459
Faculty travel	1,841
Total Instructional	<u>\$ 593,010</u>
Administrative	
Staff wages	\$ 466,660
Professional fees	5,210
Employee benefits	98,425
Pension	42,864
Dues and subscriptions	39,727
Payroll taxes	58,096
Interest	69,813
Postage	7,731
Conferences	5,070
Equipment lease	8,645
Licenses	5,118
Catering	1,158
Development and promotions	407
Total Administrative	<u>\$ 808,924</u>
Operations	
Depreciation	\$ 87,884
Utilities	71,158
Insurance	50,007
Repairs and Maintenance	154,770
Telephone	12,596
Supplies	24,729
Taxes	23,049
Bad debt	236,771
Total Operations	<u>\$ 660,964</u>

St. Tikhon's Orthodox Theological Seminary

Financial Statements and
Supplementary Information

June 30, 2020 and 2019

St. Tikhon's Orthodox Theological Seminary

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June 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Trustees of
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 statements of financial position as of June 30, 2020 and 2019 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 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, 2020 and 2019 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 17 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 US, LLP

Wilkes-Barre, Pennsylvania
February 23, 2021

St. Tikhon's Orthodox Theological Seminary

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 115,767	\$ 110,722
Tuition receivables	167,729	1,466
Other receivables	21,167	26,906
Contributions receivable	125,000	225,000
Total current assets	429,663	364,094
Cash and Cash Equivalents, Designated	198,055	206,664
Contributions Receivable	24,359	48,094
Property and Equipment, Net	2,575,845	2,620,628
Certificates of Deposit	507,996	520,865
Investments	2,039,321	1,740,838
Interest in Net Assets of Affiliates	1,535	1,535
Total assets	<u>\$ 5,776,774</u>	<u>\$ 5,502,718</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 221,320	\$ 20,468
Line of credit	459,000	459,000
Refundable advance	144,400	-
Accounts payable	33,162	56,124
Payroll taxes payable	362	4,313
Student deposits	-	14,791
Total current liabilities	858,244	554,696
Long-Term Debt	131,980	378,376
Total liabilities	<u>990,224</u>	<u>933,072</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,824,453	1,776,650
Board designated	319,244	304,539
	2,143,697	2,081,189
With donor restrictions	2,642,853	2,488,457
Total net assets	<u>4,786,550</u>	<u>4,569,646</u>
Total liabilities and net assets	<u>\$ 5,776,774</u>	<u>\$ 5,502,718</u>

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020	2019
Changes in Net Assets Without Donor Restrictions		
Support and Revenue		
Contributions	\$ 1,157,128	\$ 1,402,884
Bequests	64,461	940,999
Tuition, less scholarships applied of \$47,229 in 2020 and \$301,581 in 2019	275,512	54,239
Net assets released from restriction	169,968	543,869
Mission choir donations	13,674	71,847
Contributed services	133,200	136,200
Miscellaneous	122,380	69,034
Investment income	41,180	26,232
Total support and revenue	1,977,503	3,245,304
Expenses		
Instructional	581,081	702,414
Operations	268,628	474,056
Administrative	726,231	739,429
Student services	317,153	520,276
Fundraising	4,690	15,319
Library	17,212	19,248
Total expenses	1,914,995	2,470,742
Increase in net assets without donor restrictions	62,508	774,562
Changes in Net Assets With Donor Restrictions		
Investment income	72,577	67,703
Contributions	251,787	291,017
Net assets released from restriction	(169,968)	(543,869)
Increase (decrease) in net assets with donor restrictions	154,396	(185,149)
Change in net assets	\$ 216,904	\$ 589,413

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Changes in net assets	\$ 216,904	\$ 589,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	81,880	75,455
Impairment of property and equipment	-	135,000
Gain on sale of property and equipment	(4,179)	-
Net realized and unrealized gains on investments	(54,474)	(14,814)
Restricted contributions	(251,787)	(291,017)
Changes in assets and liabilities:		
Tuition receivables	(166,263)	23,434
Other receivables	5,739	-
Contributions receivable	123,735	151,335
Refundable advance	144,400	-
Accounts payable	(22,962)	11,362
Payroll taxes payable	(3,951)	3,575
Student deposits	(14,791)	(995)
Net cash provided by operating activities	54,251	682,748
Cash Flows From Investing Activities		
Purchase of investments	(920,209)	(807,477)
Proceeds from sale of investments	927,987	1,157,295
Proceeds from sale of property and equipment	69,179	-
Purchase of property and equipment	(102,097)	(1,176,982)
Change in certificates of deposit	12,869	(23,797)
Net cash used in investing activities	(12,271)	(850,961)
Cash Flows From Financing Activities		
Borrowings on revolving line of credit	-	159,000
Borrowings of long-term debt	200,000	225,000
Repayment of long-term debt	(245,544)	(220,134)
Net cash (used in) provided by financing activities	(45,544)	163,866
Net change in cash and cash equivalents	(3,564)	(4,347)
Cash and Cash Equivalents, Beginning	317,386	321,733
Cash and Cash Equivalents, Ending	\$ 313,822	\$ 317,386
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 24,778	\$ 52,268
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 115,767	\$ 110,722
Cash and cash equivalents, designated	198,055	206,664
Total cash and cash equivalents	\$ 313,822	\$ 317,386

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

St. Tikhon's Orthodox Theological Seminary (the Seminary) located in South Canaan, Pennsylvania 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 23, 2021 the date the financial statements were available to be issued.

Basis of Presentation

The financial statements of the Seminary have been prepared on the accrual basis of accounting.

For financial reporting purposes, the Seminary follows the reporting requirements of accounting principles generally accepted in the United States of America (GAAP), which require that resources are classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. These are currently available at the direction of the Board of Trustees for use in operations, invested in property and equipment or as endowments.

Net Assets With Donor Restrictions - Net assets whose use by the Seminary is subject to donor imposed stipulations that can be fulfilled by actions of the Seminary pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restriction. Additionally, funds receive as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with 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.

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 of Trustees 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.

Investments and Investment Risk

Investments are carried at fair value.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as income without donor restrictions 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 less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings and improvements (20-40 years), furniture (7-20 years), equipment (5-10 years), and vehicles (5 years). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized. All assets with a purchased cost, or fair value if acquired by gift, in excess of \$1,000 are capitalized.

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 without donor restriction 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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

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 \$30,000 in 2020 and \$19,000 in 2019.

Revenue Recognition

Tuition (includes fees, room and board) revenue is recognized in the fiscal year in which the academic programs are delivered. Tuition contracts are considered to have a duration of less than one year. Transaction prices for tuition are determined based on applicable Seminary pricing schedules. Scholarships are reflected as a reduction of tuition revenue.

Amounts for tuition are due at the beginning of each semester. In accordance with the Seminary's refund policies students may receive a full refund up to three weeks or partial refund up to six weeks after the start of the semester. Tuition accounts receivable includes amounts to which the Seminary is unconditionally entitled. The Seminary considers such amounts as unconditional based on the payment due date.

Miscellaneous income consists of various sources of income which are generally transactional in nature and are recorded as they meet their performance obligation.

The Seminary recognizes contributions and bequests when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right to return - are not recognized until the conditions on which they depend have been met.

Unconditional promises to give are recorded at the present value of estimated future cash flows. In 2020 and 2019, the Seminary used a discount rate of 2.63 percent. Contributions of assets other than cash are recorded at fair value at the date the promise is received. The gifts are reported as with donor restriction 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, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

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 percent 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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

Contributed Services

For the years ended June 30, 2020 and 2019, the Seminary recorded contributions in the amount of \$133,200 and \$136,200, respectfully, 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.

Income Taxes

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

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 2020 and 2019.

Reclassification

Certain amounts relating to 2019 have been reclassified to conform to the 2020 reporting format.

2. Coronavirus Disease (COVID-19)

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has had an adverse impact on the Seminary's operations including required modification of instruction, events and communal life. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the Seminary's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, distribution of a vaccine, impact on students, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and management are monitoring the outbreak and potential financial impact, which are currently uncertain.

As a response to COVID-19, the Coronavirus Aid, Relief and Economics Security (CARES) Act was enacted to provide budgetary relief.

In April 2020, the Seminary applied for and was approved for funding pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the CARES Act. The Seminary received proceeds of \$144,400 on April 17, 2020 and there are no collateral or guarantee requirements. Management believes that the Seminary has met certain eligibility and spending requirements under the PPP, which would allow the full amount to be forgiven. The Seminary has recorded the PPP funding as a refundable advance as of June 30, 2020, and expects forgiveness to occur in 2021.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

3. Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2020	2019
Contributions receivable in:		
Less than one year	\$ 125,000	\$ 225,000
One year to five years	25,000	50,000
Subtotal	150,000	275,000
Less unamortized discount	641	1,906
Total	<u>\$ 149,359</u>	<u>\$ 273,094</u>

Based on assessment of the donors involved, management expects all of the unconditional contributions receivable to be collected as promised. Therefore, no allowance for uncollectible receivables has been established.

4. Property and Equipment, Net

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

	2020	2019
Land	\$ 70,601	\$ 70,601
Buildings and improvements	2,994,063	2,910,891
Furniture	109,065	109,065
Equipment	123,438	119,949
Construction in progress	694,682	679,563
Vehicles	68,967	68,967
Total	4,060,816	3,959,036
Less accumulated depreciation	1,484,971	1,403,408
Net	2,575,845	2,555,628
Building (A)	-	65,000
Property and equipment, net	<u>\$ 2,575,845</u>	<u>\$ 2,620,628</u>

- (A) In 2018, the Seminary determined that it was not financially feasible to pursue the renovation of this structure for student housing purposes. The property was considered held for sale and carried at the lower of cost or fair value. In 2019, the Seminary recognized an impairment charge of \$135,000 to reduce the carrying value to its estimated fair value. In 2020, the property was sold by the Seminary.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

5. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	2020	2019
Money market	\$ 578,099	\$ 175,968
Marketable equity securities	1,461,222	1,564,870
Total	<u>\$ 2,039,321</u>	<u>\$ 1,740,838</u>

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

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 39,346	\$ 19,937	\$ 59,283	\$ 25,303	\$ 53,818	\$ 79,121
Realized and unrealized gains on investments	1,834	52,640	54,474	929	13,885	14,814
Total investment return	<u>\$ 41,180</u>	<u>\$ 72,577</u>	<u>\$ 113,757</u>	<u>\$ 26,232</u>	<u>\$ 67,703</u>	<u>\$ 93,935</u>

Investment fees totaled \$9,391 and \$8,968 in 2020 and 2019, respectively. These amounts are netted against interest and dividend income without donor restriction.

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

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

Level 2 - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration for substantially the full term of the financial instrument;

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

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

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

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:

	2020		
	Total	Level 1	Level 2
Money market	\$ 578,099	\$ 578,099	\$ -
Marketable equity securities	1,461,222	1,461,222	-
Total investments	<u>\$ 2,039,321</u>	<u>\$ 2,039,321</u>	<u>\$ -</u>
Certificates of deposit	<u>\$ 507,996</u>	<u>\$ -</u>	<u>\$ 507,996</u>
	2019		
	Total	Level 1	Level 2
Money market	\$ 175,968	\$ 175,968	\$ -
Marketable equity securities	1,564,870	1,564,870	-
Total investments	<u>\$ 1,740,838</u>	<u>\$ 1,740,838</u>	<u>\$ -</u>
Certificates of deposit	<u>\$ 520,865</u>	<u>\$ -</u>	<u>\$ 520,865</u>

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

6. Liquidity and Funds Available

The following table reflects the Seminary's financial assets which are available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year due to contractual or Board of Trustees action. Assets considered illiquid are assets restricted by donors for capital purposes, perpetual and Board-designated endowments and accumulated earnings thereon. The Board-designated endowments could be drawn upon if the Board of Trustees approves that action.

	2020	2019
Cash and cash equivalents	\$ 115,767	\$ 110,722
Tuition receivables	167,729	1,466
Other receivables	<u>21,167</u>	<u>26,906</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 304,663</u>	<u>\$ 139,094</u>

The Seminary has liquid assets on hand to cover approximately 54 and 21 days of operating expenses at June 30, 2020 and 2019, respectively. The Seminary structures its financial assets to be available as general expenditures, liabilities and other obligations come due. The Seminary also maintains a \$500,000 operating line of credit of which \$41,000 is available, which can be drawn upon in the event of a liquidity need.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

7. 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 Wall Street Prime Floating Rate with a floor rate of 3.50 percent (3.50 percent at June 30, 2020). The line of credit is secured by the business assets of the Seminary and renews annually on December 31. Borrowings totaled \$459,000 at June 30, 2020 and 2019.

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, 2020.

8. Long-Term Debt

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

	2020	2019
Term note with bank, payable in monthly payments of \$2,261 including interest at 4% through December 2021 at which time a balloon payment will be due; secured by investments valued at 125% or more of the loan value.	\$ 153,300	\$ 173,844
Term note with individual, paid in October 2020, including interest at 10%; secured by real estate.	100,000	225,000
Loan from trustee, unsecured; paid in full in December 2020.	100,000	-
Total	353,300	398,844
Less current portion	221,320	20,468
Long-term debt	<u>\$ 131,980</u>	<u>\$ 378,376</u>

Scheduled principal repayments of long-term debt as of June 30, 2020 are as follows:

Years ending June 30:	
2021	\$ 221,320
2022	<u>131,980</u>
Total	<u>\$ 353,300</u>

9. Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan (the Plan). The Plan is a nonelecting 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, 2020 and 2019

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.

Participating members are required at a minimum to contribute 6 percent of their qualifying salary (including amounts paid as housing allowances for clergy) to the Plan, with the employer contributing 8 percent. Pension expense was \$66,991 and \$70,850 in 2020 and 2019, respectively. The vesting schedule of the Plan is as follows:

<u>Years of Service</u>	<u>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, 2019) 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.

10. Functional Expenses

The table below presents the Seminary's expenses by nature and function at June 30:

	<u>Instructional</u>	<u>Operations</u>	<u>Administrative</u>	<u>Student Services</u>	<u>Fundraising</u>	<u>Library</u>	<u>Total 2020</u>
Salaries and wages	\$ 325,653	\$ -	\$ 410,127	\$ -	\$ -	\$ -	\$ 735,780
Employee benefits	117,012	-	74,192	-	-	-	191,204
Supplies and other, general	-	42,527	183,490	317,153	4,690	17,212	565,072
Donated services	133,200	-	-	-	-	-	133,200
Insurance	-	49,773	-	-	-	-	49,773
Utilities	-	87,466	-	-	-	-	87,466
Depreciation	-	81,880	-	-	-	-	81,880
Interest	-	-	26,024	-	-	-	26,024
Taxes	5,216	6,982	32,398	-	-	-	44,596
Total	<u>\$ 581,081</u>	<u>\$ 268,628</u>	<u>\$ 726,231</u>	<u>\$ 317,153</u>	<u>\$ 4,690</u>	<u>\$ 17,212</u>	<u>\$ 1,914,995</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

	Instructional	Operations	Administrative	Student Services	Fundraising	Library	Total 2019
Salaries and wages	\$ 311,680	\$ -	\$ 360,358	\$ -	\$ -	\$ -	\$ 672,038
Employee benefits	207,615	-	205,638	-	-	-	413,253
Supplies and other, general	26,851	70,008	124,124	520,276	15,319	19,248	775,826
Donated services	136,200	-	-	-	-	-	136,200
Impairment	-	135,000	-	-	-	-	135,000
Insurance	-	86,207	-	-	-	-	86,207
Utilities	-	75,661	-	-	-	-	75,661
Depreciation	-	75,455	-	-	-	-	75,455
Interest	-	29,561	22,707	-	-	-	52,268
Taxes	20,068	2,164	26,602	-	-	-	48,834
Total	<u>\$ 702,414</u>	<u>\$ 474,056</u>	<u>\$ 739,429</u>	<u>\$ 520,276</u>	<u>\$ 15,319</u>	<u>\$ 19,248</u>	<u>\$ 2,470,742</u>

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Net assets with donor restrictions:		
Subject to expenditure for a specified purpose:		
Scholarships and awards	\$ 274,958	\$ 239,074
Interest in net assets of affiliate	1,535	1,535
Contributions receivable	149,359	273,094
Total	<u>425,852</u>	<u>513,703</u>
Subject to the passage of time:		
General endowments	<u>191,009</u>	<u>218,061</u>
Subject to restriction in perpetuity:		
General endowments	1,323,774	1,071,224
Scholarships	702,218	685,469
Total	<u>2,025,992</u>	<u>1,756,693</u>
Total net assets with donor restrictions	<u>\$ 2,642,853</u>	<u>\$ 2,488,457</u>

12. Endowment Funds

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted and Board of Trustees designated funds. 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 net assets with donor restrictions (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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2020 and 2019

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.

Changes in endowment net assets in 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ 304,539	\$ 2,486,922	\$ 2,791,461
Investment return:			
Investment income	39,346	19,937	59,283
Net realized and unrealized gains	1,834	52,640	54,474
Total investment return	41,180	72,577	113,757
Transfers/contributions	(147,664)	251,787	104,123
Funds released from restriction	-	(169,968)	(169,968)
Endowment net assets, June 30, 2020	\$ 198,055	\$ 2,641,318	\$ 2,839,373

Changes in endowment net assets in 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ 215,909	\$ 2,672,071	\$ 2,887,980
Investment return:			
Investment income	25,303	53,818	79,121
Net realized and unrealized gains	929	13,885	14,814
Total investment return	26,232	67,703	93,935
Transfers/contributions	62,398	291,017	353,415
Funds released from restriction	-	(543,869)	(543,869)
Endowment net assets, June 30, 2019	\$ 304,539	\$ 2,486,922	\$ 2,791,461

St. Tikhon's Orthodox Theological Seminary

Schedules of Instructional, Administrative and Operations Expenses

Years Ended June 30, 2020 and 2019

	2020	2019
Instructional		
Faculty wages	\$ 284,353	\$ 270,580
Employee benefits	67,032	124,664
Donated services	133,200	136,200
Adjunct faculty	41,300	41,100
Pension	27,466	30,466
Payroll taxes	22,514	20,068
Faculty travel	5,216	26,851
Faculty housing	-	52,485
Total instructional	<u>\$ 581,081</u>	<u>\$ 702,414</u>
Administrative		
Staff wages	\$ 410,127	\$ 360,358
Professional fees	63,464	41,763
Employee benefits	96,460	165,253
Pension	39,525	40,385
Dues and subscriptions	30,131	3,601
Payroll taxes	32,398	26,602
Interest	26,024	22,707
Printing	10,728	20,919
Conferences	5,979	18,841
Equipment lease	5,670	4,911
Automobile	3,258	13,814
Office supplies	2,467	20,275
Total administrative	<u>\$ 726,231</u>	<u>\$ 739,429</u>
Operations		
Depreciation	\$ 81,880	\$ 75,455
Utilities	74,893	87,121
Insurance	49,773	86,207
Repairs and maintenance	35,192	47,844
Telephone	12,573	9,663
Supplies	7,335	923
Taxes	6,982	2,164
Bad debt	-	118
Impairment of property	-	135,000
Interest	-	29,561
Total operations	<u>\$ 268,628</u>	<u>\$ 474,056</u>



St. Tikhon's Orthodox Theological Seminary

Financial Statements and
Supplemental Information

June 30, 2019 and 2018

St. Tikhon's Orthodox Theological Seminary

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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 statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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 19 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
April 2, 2020

St. Tikhon's Orthodox Theological Seminary

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 110,722	\$ 143,076
Tuition and other receivables	28,372	51,806
Contributions receivable	225,000	375,335
Total current assets	364,094	570,217
Cash and Cash Equivalents, Designated	206,664	178,657
Contributions Receivable	48,094	49,094
Property and Equipment, Net	2,620,628	1,654,101
Certificates of Deposit	520,865	497,068
Investments	1,740,838	1,784,825
Interest in Net Assets of Affiliates	1,535	1,535
Total assets	\$ 5,502,718	\$ 4,735,497
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 20,468	\$ 38,460
Line of credit	459,000	300,000
Accounts payable	56,124	44,762
Payroll taxes payable	4,313	738
Student deposits	14,791	15,786
Total current liabilities	554,696	399,746
Long-Term Debt	378,376	355,518
Total liabilities	933,072	755,264
Net Assets		
Without donor restrictions:		
Undesignated	1,776,650	1,093,718
Board designated	304,539	212,909
	2,081,189	1,306,627
With donor restrictions	2,488,457	2,673,606
Total net assets	4,569,646	3,980,233
Total liabilities and net assets	\$ 5,502,718	\$ 4,735,497

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Activities

Years Ended June 30, 2019 and 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions		
Support and Revenue		
Contributions	\$ 1,379,573	\$ 990,974
Bequests	940,999	247,540
Tuition, less scholarships applied of \$301,581 in 2019 and \$165,586 in 2018	54,239	61,064
Net assets released from restriction	543,869	588,232
Mission choir donations	71,847	54,720
Contributed services	136,200	98,250
Miscellaneous	92,345	92,309
Investment income	26,232	61,394
Total support and revenue	3,245,304	2,194,483
Expenses		
Instructional	702,414	676,010
Operations	474,056	745,186
Administrative	739,429	557,581
Student services	520,276	284,432
Fundraising	15,319	15,327
Library	19,248	21,383
Total expenses	2,470,742	2,299,919
Increase (decrease) in net assets without donor restrictions	774,562	(105,436)
Changes in Net Assets With Donor Restrictions		
Investment income	67,703	61,392
Contributions	291,017	478,733
Net assets released from restriction	(543,869)	(588,232)
Change in interest in net assets of affiliate	-	(906)
Decrease in net assets with donor restrictions	(185,149)	(49,013)
Change in net assets	\$ 589,413	\$ (154,449)

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Changes in Net Assets

Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, June 30, 2017	\$ 1,412,063	\$ 2,722,619	\$ 4,134,682
Decrease in net assets	<u>(105,436)</u>	<u>(49,013)</u>	<u>(154,449)</u>
Net Assets, June 30, 2018	1,306,627	2,673,606	3,980,233
Increase (decrease) in net assets	<u>774,562</u>	<u>(185,149)</u>	<u>589,413</u>
Net Assets, June 30, 2019	<u><u>\$ 2,081,189</u></u>	<u><u>\$ 2,488,457</u></u>	<u><u>\$ 4,569,646</u></u>

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 589,413	\$ (154,449)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	75,455	52,187
Impairment of property and equipment	135,000	421,568
Change in interest in net assets of affiliate	-	906
Net realized and unrealized gain on investments	(14,814)	(72,422)
Restricted contributions	(291,017)	(478,733)
Changes in assets and liabilities:		
Tuition and other receivables	23,434	(23,348)
Contributions receivable	151,335	-
Accounts payable	11,362	33,810
Payroll taxes payable	3,575	738
Student deposits	(995)	(620)
Net cash provided by (used in) operating activities	682,748	(220,363)
Cash Flows From Investing Activities		
Purchase of investments	(807,477)	(1,594,281)
Proceeds from sale of investments	1,157,295	2,458,118
Purchase of property and equipment	(1,176,982)	(421,588)
(Increase) decrease in certificates of deposit	(23,797)	43,289
Net cash (used in) provided by investing activities	(850,961)	485,538
Cash Flows From Financing Activities		
Borrowings (repayment) on revolving line of credit	159,000	(170,581)
Borrowings of long-term debt	225,000	-
Repayment of long-term debt	(220,134)	(39,445)
Net cash provided by (used in) financing activities	163,866	(210,026)
Net change in cash and cash equivalents	(4,347)	55,149
Cash and Cash Equivalents, Beginning	321,733	266,584
Cash and Cash Equivalents, Ending	\$ 317,386	\$ 321,733
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 52,268	\$ 22,519

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

The Seminary evaluated subsequent events for recognition or disclosure through April 2, 2020 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 of Trustees 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.

Investments and Investment Risk

Investments are carried at fair value.

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as without donor restricted 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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

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 without donor restriction 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.

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 \$19,000 in 2019 and \$28,000 in 2018.

Revenue Recognition

Tuition (includes fees, room, and board) revenue is recognized in the fiscal year in which the academic programs are delivered. Tuition contracts are considered to have a duration of less than one year. Transaction prices for tuition are determined based on applicable Seminary pricing schedules.

Amounts for tuition are due at the beginning of each semester. In accordance with the Seminary's refund policies students may receive a full refund up to three weeks or partial refund up to six weeks after the start of the semester. Student accounts receivable includes amounts to which the Seminary is unconditionally entitled. In connection with the adoption of the revenue recognition standard in fiscal 2019, the Seminary considers such amounts as unconditional based on the payment due date.

Miscellaneous income consists of various sources of income which are generally transactional in nature and are recorded as they meet their performance obligation.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Net Assets

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets of the Seminary and changes therein are classified and reported as follows:

- *Without donor restrictions* are currently available at the direction of the Board of Trustees for use in operations, invested in property and equipment, or as endowments.
- *With donor restrictions* are stipulated by donors for specific operating purposes, for the acquisition of property and equipment, time restricted, or for holding in perpetuity with investment return used for operations and scholarships.

Contributed Services

For the years ended June 30, 2019 and 2018, the Seminary recorded contributions in the amount of \$136,200 and \$98,250, respectfully, 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 are recorded at the present value of estimated future cash flows. In 2019 and 2018, the Seminary used a discount rate of 2.63 percent. Contributions of assets other than cash are recorded at fair value at the date the promise is received. The gifts are reported as with donor restriction 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, net assets with donor restriction are reclassified as net assets without donor restriction 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 percent 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 2019 and 2018.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Reclassification

Certain amounts relating to 2018 have been reclassified to conform to the 2019 reporting format.

Accounting Standards Adopted in 2019

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue for contracts with customers. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Seminary adopted ASU 2014-09 in fiscal 2019 using the modified retrospective transition method which provides for application of the new standard to uncompleted contracts at the date of adoption (July 1, 2018) without revising prior periods. The Seminary determined tuition and miscellaneous income were in scope of the standard. Other revenues related to contributions and investment return were determined to be out of scope as they are covered by other accounting guidance.

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 the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Seminary adopted ASU No. 2016-14 in fiscal 2019 and has applied the changes retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and natural classification of expenses which have been presented for fiscal 2019 only as permitted by the guidance. The new standard changed the following aspects of the Seminary's financial statements:

- Unrestricted net assets has been renamed "net assets without donor restrictions".
- Temporarily and permanently restricted net assets have been renamed "net assets with donor restrictions".
- The disclosure of the Seminary's functional expenses was expanded to include the natural classification of expenses (Note 9)
- A disclosure about liquidity and availability of resources was added (Note 5)

The effect on the Seminary's net asset balances at June 30, 2018 as a result of implementing ASU 2016-14 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning, as previously presented:			
Unrestricted	\$ 1,306,627	\$ -	\$ 1,306,627
Temporarily restricted	-	966,913	966,913
Permanently restricted	-	1,706,693	1,706,693
Net assets, beginning as restated	<u>\$ 1,306,627</u>	<u>\$ 2,673,606</u>	<u>\$ 3,980,233</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in: (1) evaluating whether transactions should be accounted for as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction) subject to other guidance, and (2) determining whether a contribution is conditional. The Seminary adopted ASU 2018-08 in fiscal 2019. The guidance is only applied to agreements that were not completed at the date of adoption (July 1, 2018) and those entered into after that date. The guidance cannot be applied retrospectively. The Seminary determined there were no significant changes to its financial statements from applying the new guidance as compared to prior guidance.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash and amounts generally described as restricted cash. Therefore, amounts generally described as restricted cash should be included with the cash when reconciling the amounts shown in the statements of cash flows. ASU 2016-18 is effective for the Seminary in fiscal 2020 but the Seminary elected to early adopt the guidance in fiscal 2019. The Seminary determined there was no significant changes to its financial statements from applying the new guidance as compared to prior guidance. Accordingly, cash and cash equivalents designated are now included in the total of cash and cash equivalents. Beginning cash and cash equivalents was increased by \$215,654 and ending cash and cash equivalents was increased by \$178,657 in 2018 as a result of the adoption.

2. Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2019	2018
Contributions receivable in:		
Less than one year	\$ 225,000	\$ 375,335
One year to five years	50,000	50,000
Subtotal	275,000	425,335
Less unamortized discount	1,906	906
Total	\$ 273,094	\$ 424,429

Based on assessment of the donors involved, management expects all of the unconditional contributions receivable to be collected as promised. Therefore, no allowance for uncollectible receivables has been established.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

3. Property and Equipment, Net

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

	2019	2018
Land	\$ 70,601	\$ 70,601
Buildings and improvements	2,910,891	2,456,727
Furniture	109,065	109,065
Equipment	119,949	49,913
Construction in progress	679,563	26,780
Vehicle	68,967	68,968
Total	3,959,036	2,782,054
Less accumulated depreciation	1,403,408	1,327,953
Net	2,555,628	1,454,101
Building (not yet placed in service) ^(a)	65,000	200,000
Property and equipment, net	<u>\$ 2,620,628</u>	<u>\$ 1,654,101</u>

- a) In 2018, the Seminary determined that it was not financially feasible to pursue the renovation of this structure for student housing purposes. The property is considered held for sale and carried at the lower of cost or fair value. In 2018, the Seminary recognized an impairment charge of \$421,568 to reduce the carrying value to its estimated fair value. In 2019, an additional impairment charge of \$135,000 was recognized to reduce the carrying value to its estimated fair value.

4. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	2019	2018
Money market	\$ 175,968	\$ 79,172
Corporate bonds	-	29,958
Marketable equity securities	1,564,870	1,675,695
Total	<u>\$ 1,740,838</u>	<u>\$ 1,784,825</u>

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

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 25,303	\$ 53,818	\$ 79,121	\$ 49,270	\$ 1,094	\$ 50,364
Realized and unrealized gains on investments	929	13,885	14,814	12,124	60,298	72,422
Total investment return	<u>\$ 26,232</u>	<u>\$ 67,703</u>	<u>\$ 93,935</u>	<u>\$ 61,394</u>	<u>\$ 61,392</u>	<u>\$ 122,786</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Investment fees totaled \$8,968 and \$11,824 in 2019 and 2018, respectively. These amounts are netted against interest and dividend income without donor restriction.

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:

	2019		
	Total	Level 1	Level 2
Money market	\$ 175,968	\$ 175,968	\$ -
Marketable equity securities	1,564,870	1,564,870	-
Total investments	<u>\$ 1,740,838</u>	<u>\$ 1,740,838</u>	<u>\$ -</u>
Certificates of deposit	<u>\$ 510,052</u>	<u>\$ -</u>	<u>\$ 510,052</u>

	2018		
	Total	Level 1	Level 2
Money market	\$ 79,172	\$ 79,172	\$ -
Corporate bonds	29,958	-	29,958
Marketable equity securities	1,675,695	1,675,695	-
Total investments	<u>\$ 1,784,825</u>	<u>\$ 1,754,867</u>	<u>\$ 29,958</u>
Certificates of deposit	<u>\$ 497,068</u>	<u>\$ -</u>	<u>\$ 497,068</u>

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 are measured using prices for similar assets. Certificates of deposit are measured at cost which approximates fair value.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

5. Liquidity and Funds Available

The following table reflects the Seminary's financial assets at June 30, 2019 which are available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year due to contractual or Board of Trustees action. Assets considered illiquid are assets restricted by donors for capital purposes, perpetual and Board-designated endowments and accumulated earnings thereon. The Board-designated endowments could be drawn upon if the Board approves that action.

Cash and cash equivalents	\$ 110,722
Tuition and other receivables	<u>28,372</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 139,094</u>

As of June 30, 2019, the Seminary has liquid assets on hand to cover approximately 21 days of operating expenses. The Seminary structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Seminary also maintains a \$500,000 operating line of credit of which \$41,000 is available, which can be drawn upon in the event of a liquidity need.

6. 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 Wall Street Prime Floating Rate with a floor rate of 3.50 percent (5.50 percent at June 30, 2019). The line of credit is secured by the business assets of the Seminary and renews annually. Borrowings totaled \$459,000 and \$300,000 at June 30, 2019 and 2018, 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, 2019.

7. Long-Term Debt

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

	<u>2019</u>	<u>2018</u>
Term note with bank, payable in monthly payments of \$2,261 including interest at 4% through December 2021 at which time a balloon payment will be due; secured by investments valued at 125% or more of the loan value	\$ 173,844	\$ 192,090
Term note with individual, payable in full in a balloon payment due December 2020 including interest at 10%; secured by real estate.	225,000	-
Debt repaid in 2019	<u>-</u>	<u>201,888</u>
Total	398,844	393,978
Less current portion	<u>20,468</u>	<u>38,460</u>
Long-term debt	<u>\$ 378,376</u>	<u>\$ 355,518</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Scheduled principal repayments of long-term debt as of June 30, 2019 are as follows:

Years ending June 30:	
2020	\$ 20,468
2021	246,320
2022	<u>132,056</u>
Total	<u>\$ 398,844</u>

8. 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.

Participating members are required at a minimum to contribute 6 percent of their qualifying salary (including amounts paid as housing allowances for clergy) to the Plan, with the employer contributing 8 percent. The vesting schedule of the Plan is as follows:

<u>Years of Service</u>	<u>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, 2018) 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, 2019 and 2018

9. Functional Expenses

The table below presents the Seminary's expenses by nature and function.

	Instructional	Operations	Administrative	Student Services	Fundraising	Library	Total 2019	Total 2018
Salaries and wages	\$ 311,680	\$ -	\$ 360,358	\$ -	\$ -	\$ -	\$ 672,038	\$ 570,239
Employee benefits	207,615	-	205,638	-	-	-	413,253	344,164
Supplies and other, general	26,851	70,008	124,124	520,276	15,319	19,248	775,826	603,463
Donated services	136,200	-	-	-	-	-	136,200	98,250
Impairment	-	135,000	-	-	-	-	135,000	421,568
Insurance	-	86,207	-	-	-	-	86,207	50,032
Utilities	-	75,661	-	-	-	-	75,661	60,966
Depreciation	-	75,455	-	-	-	-	150,910	52,187
Interest	-	29,561	22,707	-	-	-	104,536	43,330
Taxes	20,068	2,164	26,602	-	-	-	48,834	55,720
Total	<u>\$ 702,414</u>	<u>\$ 474,056</u>	<u>\$ 739,429</u>	<u>\$ 520,276</u>	<u>\$ 15,319</u>	<u>\$ 19,248</u>	<u>\$ 2,598,465</u>	<u>\$ 2,299,919</u>

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Net assets with donor restrictions:		
Subject to expenditure for a specified purpose:		
Scholarships and awards	\$ 239,074	\$ 302,281
Interest in net assets of affiliate	1,535	1,535
Contributions receivable	273,094	424,429
Total	513,703	728,246
Subject to the passage of time:		
General endowments	218,061	238,667
Total	218,061	238,667
Subject to restriction in perpetuity:		
General endowments	1,071,224	1,071,224
Scholarships	685,469	635,469
Total	1,756,693	1,706,693
Total net assets with donor restrictions	<u>\$ 2,488,457</u>	<u>\$ 2,673,606</u>

11. Endowment Funds

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted and Board of Trustees designated funds. 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 net assets with donor restrictions (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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

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.

Changes in endowment net assets in 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ 212,909	\$ 2,672,071	\$ 2,884,980
Investment return:			
Investment income	25,303	53,818	79,121
Net realized and unrealized gains	929	13,885	14,814
Total investment return	26,232	67,703	93,935
Transfers/contributions	65,398	291,017	306,415
Funds released from restriction	-	(543,869)	(543,869)
Endowment net assets, June 30, 2019	<u>\$ 304,539</u>	<u>\$ 2,486,922</u>	<u>\$ 2,741,461</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements
June 30, 2019 and 2018

Changes in endowment net assets in 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	<u>\$ 557,769</u>	<u>\$ 2,720,178</u>	<u>\$ 3,277,947</u>
Investment return:			
Investment income	49,270	1,094	50,364
Net realized and unrealized gains	<u>12,124</u>	<u>60,298</u>	<u>72,422</u>
Total investment return	<u>61,394</u>	<u>61,392</u>	<u>122,786</u>
Transfers/contributions	(406,254)	478,733	72,479
Funds released from restriction	<u>-</u>	<u>(588,232)</u>	<u>(588,232)</u>
Endowment net assets, June 30, 2018	<u><u>\$ 212,909</u></u>	<u><u>\$ 2,672,071</u></u>	<u><u>\$ 2,884,980</u></u>

St. Tikhon's Orthodox Theological Seminary

Schedules of Instructional, Administrative and Operations Expenses

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Instructional		
Faculty wages	\$ 270,580	\$ 292,449
Employee benefits	124,664	126,067
Donated services	136,200	98,250
Adjunct faculty	41,100	22,563
Pension	30,466	43,082
Faculty housing	52,485	38,640
Payroll taxes	20,068	29,532
Faculty travel	26,851	25,427
	<u> </u>	<u> </u>
Total instructional	<u>\$ 702,414</u>	<u>\$ 676,010</u>
Administrative		
Staff wages	\$ 360,358	\$ 255,227
Employee benefits	165,253	111,796
Professional fees	41,763	44,895
Office supplies	20,275	27,343
Printing	20,919	21,126
Payroll taxes	26,602	26,188
Interest	22,707	20,201
Pension	40,385	24,579
Automobile	14,490	13,038
Equipment lease	4,911	4,903
Conferences	18,165	8,211
Dues and subscriptions	3,601	74
	<u> </u>	<u> </u>
Total administrative	<u>\$ 739,429</u>	<u>\$ 557,581</u>
Operations		
Impairment of property	\$ 135,000	\$ 421,568
Repairs and maintenance	47,844	110,454
Insurance	86,207	50,032
Utilities	75,661	60,966
Depreciation	75,455	52,187
Interest	29,561	23,129
Trash removal	11,460	12,385
Telephone	9,663	8,305
Bad debt	118	3,675
Taxes	2,164	-
Supplies	923	2,485
	<u> </u>	<u> </u>
Total operations	<u>\$ 474,056</u>	<u>\$ 745,186</u>



St. Tikhon's Orthodox Theological Seminary

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

St. Tikhon's Orthodox Theological Seminary

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
March 27, 2019

St. Tikhon's Orthodox Theological Seminary

Statement of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 143,076	\$ 50,930
Tuition and other receivables	51,806	28,458
Contributions receivable	424,429	-
Total current assets	619,311	79,388
Cash and Cash Equivalents, Designated	178,657	215,654
Property and Equipment, Net	1,654,101	1,706,268
Certificates of Deposit	497,068	540,357
Investments	1,784,825	2,521,936
Interest in Net Assets of Affiliates	1,535	2,441
Total assets	<u>\$ 4,735,497</u>	<u>\$ 5,066,044</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 38,460	\$ 36,599
Revolving line of credit	300,000	470,581
Accounts payable	44,762	10,952
Payroll taxes payable	738	-
Student deposits	15,786	16,406
Total current liabilities	399,746	534,538
Long-Term Debt	355,518	396,824
Total liabilities	<u>755,264</u>	<u>931,362</u>
Net Assets		
Unrestricted:		
Undesignated	1,093,718	854,294
Board designated	212,909	557,769
Total unrestricted	1,306,627	1,412,063
Temporarily restricted	966,913	1,015,926
Permanently restricted	1,706,693	1,706,693
Total net assets	<u>3,980,233</u>	<u>4,134,682</u>
Total liabilities and net assets	<u>\$ 4,735,497</u>	<u>\$ 5,066,044</u>

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statement of Activities

Years Ended June 30, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets		
Support and Revenue		
Contributions	\$ 990,974	\$ 649,278
Bequests	247,540	293,839
Tuition and scholarships less scholarships applied of \$179,824 in 2018 and \$154,383 in 2017	61,064	78,620
Net assets released from restriction	588,232	224,533
Mission choir donations	54,720	52,774
Contributed services	98,250	107,250
Miscellaneous	92,309	59,945
Investment income	61,394	67,263
Reclassification of net assets	-	111,062
Total support and revenue	2,194,483	1,644,564
Expenses		
Instructional	669,447	709,198
Operations	745,186	243,489
Administrative	564,144	499,711
Student services	284,432	169,045
Fundraising	15,327	8,333
Library	21,383	40,966
Total expenses	2,299,919	1,670,742
Decrease in unrestricted net assets	(105,436)	(26,178)
Changes in Temporarily Restricted Net Assets		
Investment income	61,392	435,282
Contributions	478,733	335,384
Net assets released from restriction	(588,232)	(224,533)
Change in interest in net assets of affiliate	(906)	(2,637)
(Decrease) increase in temporarily restricted net assets	(49,013)	543,496
Changes in Permanently Restricted Net Assets		
Contributions	-	1,278
Reclassification of net assets	-	(111,062)
Decrease in permanently restricted net assets	-	(109,784)
Change in net assets	\$ (154,449)	\$ 407,534

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statement of Changes in Net Assets
Years Ended June 30, 2018 and 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, June 30, 2016	\$ 1,438,241	\$ 472,430	\$ 1,816,477	\$ 3,727,148
Increase (decrease) in net assets	<u>(26,178)</u>	<u>543,496</u>	<u>(109,784)</u>	<u>407,534</u>
Net Assets, June 30, 2017	1,412,063	1,015,926	1,706,693	4,134,682
Decrease in net assets	<u>(105,436)</u>	<u>(49,013)</u>	<u>-</u>	<u>(154,449)</u>
Net Assets, June 30, 2018	<u>\$ 1,306,627</u>	<u>\$ 966,913</u>	<u>\$ 1,706,693</u>	<u>\$ 3,980,233</u>

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (154,449)	\$ 407,534
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	52,187	48,254
Impairment of property and equipment	421,568	-
Change in interest in net assets of affiliate	906	2,637
Net unrealized (gains) losses on investments	56,774	(256,273)
Restricted contributions	(478,733)	(336,662)
Changes in assets and liabilities:		
Tuition and other receivables	(23,348)	32,501
Accounts payable	33,810	(20,174)
Payroll taxes payable	738	(327)
Student deposits	(620)	9,801
Net cash used in operating activities	<u>(91,167)</u>	<u>(112,709)</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,723,477)	(2,875,927)
Proceeds from sale of investments	2,458,118	2,849,113
Purchase of property and equipment	(421,588)	(22,855)
Decrease (increase) in certificates of deposit	43,289	(14,181)
Decrease in cash and cash equivalents, designated	36,997	49,105
Net cash provided by (used in) investing activities	<u>393,339</u>	<u>(14,745)</u>
Cash Flows from Financing Activities		
Net change in revolving line of credit	(170,581)	(76)
Repayment of long-term debt	(39,445)	(31,884)
Net cash used in financing activities	<u>(210,026)</u>	<u>(31,960)</u>
Net change in cash and cash equivalents	92,146	(159,414)
Cash and Cash Equivalents, Beginning	<u>50,930</u>	<u>210,344</u>
Cash and Cash Equivalents, Ending	<u>\$ 143,076</u>	<u>\$ 50,930</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 22,519</u>	<u>\$ 21,708</u>

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

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 March 27, 2019, 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

Notes to Financial Statements

June 30, 2018 and 2017

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. In 2018 a building was evaluated for impairment and it was determined to be impaired by \$421,568. The accompanying 2018 financial statements include a \$421,568 non-cash charge to operations as a result of this impairment. There was no impairment in 2017.

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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

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 \$28,000 in 2018 and \$34,050 in 2017.

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 \$179,824 in 2018 and \$154,383 in 2017 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, 2018 and 2017, the Seminary recorded contributions in the amount of \$98,250 and \$107,250, respectfully, 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 are recorded at the present value of estimated future cash flows. In 2018, the Seminary used a discount rate of 2.63%. Contributions of assets other than cash are recorded 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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements
June 30, 2018 and 2017

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 2018 and 2017.

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.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new guidance requires that a statement of cash flows explain the change in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents when reconciling the beginning and ending total amounts shown on the statement of cash flows. ASU 2016-18 is effective for the Seminary for fiscal 2019. The Seminary is assessing the impact this standard will have on its statement of cash flows.

2. Contributions Receivable

As of June 30, 2018, the Seminary has unconditional contributions receivable as follows:

Due within 1 year	\$	376,335
Due within 1 to 5 years		<u>50,000</u>
		426,335
Present value discount		<u>(1,906)</u>
Contributions receivable	\$	<u>424,429</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

Based on assessment of the donors involved, management expects all of the unconditional contributions receivable to be collected as promised. Therefore, no allowance for uncollectible receivables has been established.

3. Property and Equipment, Net

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

	2018	2017
Land	\$ 70,601	\$ 70,601
Buildings and improvements	2,456,727	2,045,630
Furniture	109,065	98,575
Equipment	49,913	49,913
Construction in progress	26,780	26,780
Vehicle	68,968	68,968
Total	2,782,054	2,360,467
Less accumulated depreciation	1,327,953	1,275,767
Net	1,454,101	1,084,700
Building (not yet placed in service) ^(a)	200,000	621,568
Property and equipment, net	\$ 1,654,101	\$ 1,706,268

- a) In 2018, the Seminary determined that it was not financially feasible to pursue the renovation of this structure for student housing purposes. The Seminary obtained an independent appraisal which valued the property in its present condition at \$200,000. The Seminary intends to market this property and abandon any plans to further develop it. As a result, an impairment charge of \$421,568 was recorded in 2018 to reduce the carrying value of this asset to its estimated fair value.

4. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	2018	2017
Money market	\$ 79,172	\$ 229,360
Corporate bonds	29,958	30,081
Marketable equity securities	1,675,695	2,262,495
Total	\$ 1,784,825	\$ 2,521,936

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

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

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 49,270	\$ (1,616)	\$ 47,654	\$ 9,033	\$ 45,589	\$ 54,622
Realized and unrealized gains (losses) on investments	12,124	63,008	75,132	58,230	389,693	447,923
Total investment return (loss)	<u>\$ 61,394</u>	<u>\$ 61,392</u>	<u>\$ 122,786</u>	<u>\$ 67,263</u>	<u>\$ 435,282</u>	<u>\$ 502,545</u>

Investment fees totaled \$11,824 and \$10,863 in 2018 and 2017, respectively. These amounts are netted against unrestricted interest and dividend income.

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

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

Level 2 - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

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

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

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

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:

	2018		
	Total	Level 1	Level 2
Money market	\$ 79,172	\$ 79,172	\$ -
Corporate bonds	29,958	-	29,958
Marketable equity securities	1,675,695	1,675,695	-
Total investments	<u>\$ 1,784,825</u>	<u>\$ 1,754,867</u>	<u>\$ 29,958</u>
Certificates of deposit	<u>\$ 497,068</u>	<u>\$ -</u>	<u>\$ 497,068</u>

	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	<u>\$ 2,521,936</u>	<u>\$ 2,491,855</u>	<u>\$ 30,081</u>
Certificates of deposit	<u>\$ 540,357</u>	<u>\$ -</u>	<u>\$ 540,357</u>

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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

5. Long-Term Debt

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

	<u>2018</u>	<u>2017</u>
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.	\$ 192,090	\$ 211,003
Loan payable, with interest at 6%. Monthly principal and interest payments of \$2,532 are due through December 2026, secured by property owned by the Seminary	<u>201,888</u>	<u>222,420</u>
Total	393,978	433,423
Less current portion	<u>38,460</u>	<u>36,599</u>
Long-term debt	<u>\$ 355,518</u>	<u>\$ 396,824</u>

Scheduled principal repayments of long-term debt as of June 30, 2018 are as follows:

Years ending June 30:	
2019	\$ 38,460
2020	40,402
2021	42,484
2022	153,087
2023	23,855
Thereafter	<u>95,690</u>
Total	<u>\$ 393,978</u>

6. 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 Wall Street Prime Floating Rate with a floor rate of 3.50% (5.25% at June 30, 2018). The line of credit is secured by the business assets of the Seminary and renews annually. Borrowings totaled \$300,000 and \$470,581 at June 30, 2018 and 2017, 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, 2018.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

7. 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.

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, 2018) 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, 2018 and 2017

8. Temporarily and Permanently Restricted Net Assets

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

	2018	2017
Restricted for:		
Scholarship	\$ 302,281	\$ 622,067
Pledge receivable	424,429	-
General endowments	238,667	391,418
Total endowments	965,377	1,013,485
Interest in net assets of Affiliate	1,536	2,441
Total	\$ 966,913	\$ 1,015,926

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

	2018	2017
Restricted for:		
Scholarships	\$ 1,071,224	\$ 1,071,224
General endowments	635,469	635,469
Total	\$ 1,706,693	\$ 1,706,693

9. 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, 2018 and 2017

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, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 965,378	\$ 1,706,693	\$ 2,672,071
Board-designated endowment funds	<u>212,909</u>	<u>-</u>	<u>-</u>	<u>212,909</u>
Total endowment funds	<u>\$ 212,909</u>	<u>\$ 965,378</u>	<u>\$ 1,706,693</u>	<u>\$ 2,884,980</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

Changes in endowment net assets in 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ 557,769	\$ 1,013,485	\$ 1,706,693	\$ 3,277,947
Investment return:				
Investment income (loss)	49,270	(1,616)	-	47,654
Net realized and unrealized gains	12,124	63,008	-	75,132
Total investment return	61,394	61,392	-	122,786
Transfers/contributions	(406,254)	478,733	-	72,479
Funds released from restriction	-	(588,232)	-	(588,232)
Endowment net assets, June 30, 2018	<u>\$ 212,909</u>	<u>\$ 965,378</u>	<u>\$ 1,706,693</u>	<u>\$ 2,884,980</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2018 and 2017

Changes in endowment net assets in 2017 were as follows:

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

10. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2018 and 2017 are as follows (in thousands):

	<u>2018</u>	<u>2017</u>
General services	\$ 1,803	\$ 1,233
General and administrative	482	430
Fundraising	15	8
Total	<u>\$ 2,300</u>	<u>\$ 1,671</u>

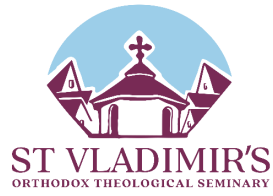
11. Concentrations

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, 2018 and 2017

	2018	2017
Instructional		
Faculty wages	\$ 292,449	\$ 264,150
Employee benefits	126,067	142,568
Donated services	98,250	107,250
Adjunct faculty	22,563	69,150
Pension	43,082	48,720
Faculty housing	38,640	37,140
Payroll taxes	29,532	28,776
Faculty travel	18,864	11,444
Total instructional	<u>\$ 669,447</u>	<u>\$ 709,198</u>
Administrative		
Staff wages	\$ 255,227	\$ 199,160
Employee benefits	111,796	107,551
Professional fees	44,895	43,160
Office supplies	27,343	29,069
Printing	21,126	27,033
Payroll taxes	26,188	21,708
Interest	20,201	20,725
Pension	24,579	17,159
Automobile	13,038	9,853
Travel	6,563	9,173
Equipment lease	4,903	7,211
Conferences	8,211	6,334
Investment expense	-	1,500
Dues and subscriptions	74	75
Total administrative	<u>\$ 564,144</u>	<u>\$ 499,711</u>
Operations		
Impairment of property	\$ 421,568	\$ -
Repairs and maintenance	110,454	52,747
Insurance	50,032	51,803
Utilities	60,966	48,502
Depreciation	52,187	48,254
Interest	23,129	21,125
Trash removal	12,385	9,704
Telephone	8,305	8,058
Bad Debt	3,675	-
Supplies	2,485	3,296
Total operations	<u>\$ 745,186</u>	<u>\$ 243,489</u>



ST. VLADIMIR'S ORTHODOX THEOLOGICAL
SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2021 and 2020

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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses 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.

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

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, 2021 and 2020, 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
November 11, 2021

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 313,017	\$ 448,618
Accounts receivable-net	167,487	237,552
Prepaid expenses	60,784	11,885
Inventory	817,586	668,799
Pledges receivable-net	283,208	38,973
Cash surrender value of life insurance	200,347	185,037
Investments	15,928,979	12,582,476
Property and equipment-net	10,063,128	10,409,434
Total Assets	\$ 27,834,536	\$ 24,582,774
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 499,123	\$ 326,705
Deferred revenue	189,700	176,780
Refundable advance	-	499,730
Total liabilities	688,823	1,003,215
Net assets:		
Without donor restrictions	8,300,215	7,869,925
With donor restrictions	18,845,498	15,709,634
Total net assets	27,145,713	23,579,559
Total Liabilities and Net Assets	\$ 27,834,536	\$ 24,582,774

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Activities

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS:						
Net tuition and fees	\$ 313,642	\$ -	\$ 313,642	\$ 318,566	\$ -	\$ 318,566
Contributions	2,187,264	865,592	3,052,856	1,525,804	567,667	2,093,471
Government grants	900,943	-	900,943	-	-	-
Endowment and investment income, net	260,600	2,875,715	3,136,315	2,516	(122,211)	(119,695)
Auxiliary enterprises	1,886,752	-	1,886,752	1,900,279	-	1,900,279
Gain on sale of assets held for sale	-	-	-	495,236	-	495,236
Other income	42,408	-	42,408	34,180	-	34,180
Total revenue and support	5,591,609	3,741,307	9,332,916	4,276,581	445,456	4,722,037
Net assets released from restrictions	605,443	(605,443)	-	756,940	(756,940)	-
Total Revenue, Support, and Reclassifications	6,197,052	3,135,864	9,332,916	5,033,521	(311,484)	4,722,037
EXPENSES:						
Program services	3,615,480	-	3,615,480	3,451,879	-	3,451,879
Supporting services:						
General and administrative	1,494,463	-	1,494,463	1,147,418	-	1,147,418
Fundraising	656,819	-	656,819	601,981	-	601,981
Total Expenses	5,766,762	-	5,766,762	5,201,278	-	5,201,278
Change in Net Assets	430,290	3,135,864	3,566,154	(167,757)	(311,484)	(479,241)
Net Assets, Beginning of Year	7,869,925	15,709,634	23,579,559	8,037,682	16,021,118	24,058,800
Net Assets, End of Year	\$ 8,300,215	\$ 18,845,498	\$ 27,145,713	\$ 7,869,925	\$ 15,709,634	\$ 23,579,559

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				Supporting Services		
	Academic and Student Services	Public Service	Auxiliary Enterprises	Total Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,101,036	\$ 93,087	\$ 433,017	\$ 1,627,140	\$ 786,653	\$ 397,658	\$ 2,811,451
Depreciation expense	277,940	27,794	166,764	472,498	61,147	22,235	555,880
Professional and consulting fees	68,993	10,135	9,717	88,845	308,967	144,918	542,730
Facilities, repairs, and maintenance	233,092	23,309	140,078	396,479	69,928	-	466,407
Publications cost	-	-	261,726	261,726	-	-	261,726
Outside services	45,630	4,563	37,182	87,375	119,125	900	207,400
Food services	887	-	160,214	161,101	180	-	161,281
Postage and shipping	4,500	20	122,042	126,562	1,384	12,087	140,033
Books and subscriptions	40,934	-	84,233	125,167	7,025	7,523	139,715
CARES grants to students	118,221	-	-	118,221	-	-	118,221
Advertising and promotion	-	-	39,067	39,067	13,563	33,107	85,737
Technology and equipment	14,329	-	-	14,329	45,398	377	60,104
Supplies	11,225	715	14,005	25,945	28,825	1,425	56,195
Bank service charges	18,127	2	15,980	34,109	3,896	8,409	46,414
Other expenses	9,071	211	6,472	15,754	6,028	15,217	36,999
Travel, meals and entertainment	9,002	660	1,784	11,446	11,684	774	23,904
Seminars, conferences and honoraria	2,485	-	4,597	7,082	702	15,763	23,547
Dues and fees	1,604	-	1,030	2,634	16,447	70	19,151
Bad debt expense	-	-	-	-	13,511	(3,644)	9,867
	<u>\$ 1,957,076</u>	<u>\$ 160,496</u>	<u>\$ 1,497,908</u>	<u>\$ 3,615,480</u>	<u>\$ 1,494,463</u>	<u>\$ 656,819</u>	<u>\$ 5,766,762</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services				Supporting Services		
	Academic and Student Services	Public Service	Auxiliary Enterprises	Total Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 937,397	\$ 78,469	\$ 415,145	\$ 1,431,011	\$ 722,992	\$ 360,489	\$ 2,514,492
Depreciation expense	265,706	26,571	159,424	451,700	79,712	-	531,412
Professional and consulting fees	119,978	2,833	19,167	141,978	55,396	132,318	329,692
Facilities, repairs, and maintenance	201,447	20,145	120,868	342,459	60,434	-	402,893
Publications cost	-	-	442,256	442,256	-	-	442,256
Outside services	43,590	3,106	26,644	73,339	93,677	-	167,016
Food services	7,047	-	174,869	181,916	-	1,050	182,966
Postage and shipping	203	-	111,733	111,936	71	9,091	121,098
Books and subscriptions	29,789	120	73,343	103,252	4,656	2,135	110,043
Advertising and promotion	100	369	24,091	24,560	-	17,778	42,338
Technology and equipment	1,934	-	859	2,793	59,433	11,449	73,675
Supplies	11,391	788	13,730	25,909	17,541	735	44,185
Bank service charges	18,203	7	13,720	31,930	5,784	7,604	45,317
Other expenses	4,315	118	6,340	10,772	13,896	6,261	30,929
Travel, meals and entertainment	39,634	1,847	13,150	54,631	16,897	7,253	78,781
Seminars, conferences and honoraria	16,637	-	11,830	28,467	2,544	21,370	52,381
Dues and fees	2,590	10	961	3,561	14,385	421	18,367
Bad debt expense	(10,023)	-	(567)	(10,590)	-	24,027	13,437
	<u>\$ 1,689,936</u>	<u>\$ 134,382</u>	<u>\$ 1,627,562</u>	<u>\$ 3,451,879</u>	<u>\$ 1,147,418</u>	<u>\$ 601,981</u>	<u>\$ 5,201,278</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,566,154	\$ (479,241)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	555,880	531,412
Realized and unrealized (gain) loss on investments	(2,599,382)	523,992
Bad debt expense	9,867	13,437
Contributions restricted for endowments	(586,666)	(181,791)
Gain on sale of asset held for sale	-	(495,236)
Forgiveness of paycheck protection program refundable advance (Note 2)	(499,730)	-
Changes in:		
Accounts receivable-net	56,554	(51,881)
Prepaid expenses	(48,899)	17,297
Inventory	(148,787)	115,178
Pledges receivable-net	9,409	(11,626)
Cash surrender value of life insurance	(15,310)	(3,067)
Accounts payable and accrued expenses	172,418	(82,941)
Deferred revenue	12,920	(32,480)
Refundable advance	-	499,730
Net Cash Provided By Operating Activities	<u>484,428</u>	<u>362,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(12,752,879)	(6,983,350)
Proceeds from sale of investments	12,005,758	6,400,162
Purchase of property and equipment	(209,574)	(95,332)
Proceeds from sale of asset held for sale	-	540,680
Net Cash Used By Investing Activities	<u>(956,695)</u>	<u>(137,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowments	<u>336,666</u>	<u>181,791</u>
Net Cash Provided By Financing Activities	<u>336,666</u>	<u>181,791</u>
Change in Cash and Cash Equivalents	(135,601)	406,734
Cash and Cash Equivalents, Beginning of Year	<u>448,618</u>	<u>41,884</u>
Cash and Cash Equivalents, End of Year	<u>\$ 313,017</u>	<u>\$ 448,618</u>
SUPPLEMENTAL INFORMATION:		
Noncash operating transaction:		
Paycheck protection program refundable advance forgiveness recognized as government grants (Note 2)	<u>\$ 499,730</u>	<u>\$ -</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION:

St. Vladimir's Orthodox Theological Seminary (Seminary) is a seminary 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 (including student housing and food service income and seminary press and bookstore sales).

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 is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Seminary is subject to federal income tax on any unrelated business income. In addition, the Seminary has not been classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

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's cash balances exceeded federally insured limits by \$15,363 and \$80,722 for the years ended June 30, 2021 and 2020, respectively. The Seminary has not experienced any loss on these accounts and does not believe that it is exposed to any significant risk. The Seminary did not have any restricted cash at June 30, 2021 and 2020.

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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE, continued

Accounts receivable balances are as follows:

	June 30,	
	2021	2020
Student tuition receivable	\$ 104,980	\$ 142,944
Bookstore receivable	118,736	158,359
	223,716	301,303
Less: Allowance for uncollectible student tuition receivables	(44,355)	(47,915)
Less: Allowance for uncollectible bookstore receivables	(11,874)	(15,836)
	<u>\$ 167,487</u>	<u>\$ 237,552</u>

INVENTORY

The Seminary's bookstore inventory consists primarily of publications and is stated at the lower of cost or net realizable value utilizing 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, using a risk adjusted discount rate of 3%. An allowance for uncollectible pledges receivable is provided based upon management's judgement, including such factors as prior collection history, type of contribution and nature of fundraising activity. As of June 30, 2021 and 2020, management believes all pledges are collectible and therefore, no allowance has been recorded.

INVESTMENTS

Investments comprise money market funds, marketable debt and equity securities, and are reported at fair value. Investments also include cash held in brokerage accounts and a note receivable held at cost, as well as an investment in a limited partnership held at net asset value. Donated investments are reported at fair value on the date of the gift and then reported at fair value at the end of each year. Realized and unrealized gains and losses and dividends and interest, net of fees, are included in endowment and investment income without donor restrictions in the statements of activities unless a donor restriction or state law restricts their use. 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 financial statements.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Additions to property and equipment in excess of \$5,000 are recorded at cost or, if donated, at the fair value on the date of the gift. Expenditures for maintenance and repairs are expensed as incurred. Donated property and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

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, equipment and vehicles	5 to 10 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 the years ended June 30, 2021 and 2020.

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. 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; and 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS, continued

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 years ended June 30, 2021 and 2020.

Equity securities, mutual and exchange-traded funds

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

Limited partnerships

Valued using net asset value (NAV) as a practical expedient, as determined by the fund's professional managers, and are excluded from the fair value hierarchy.

REFUNDABLE ADVANCE

The Seminary was approved for a Paycheck Protection Program (PPP) loan of \$499,730, on April 18, 2020, through the Coronavirus Aid, Relief, and Economic Security Act and administered by the Small Business Administration, and is carried as a refundable advance in the statements of financial position. The loan accrues interest at 1.00% per annum and matures two years from the date it was funded. This loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met. The Seminary applied for and received notification of full forgiveness during the year ended June 30, 2021, which was recorded as a component of government grants in the statements of activities. The Seminary has adopted a policy with respect to recognition of the forgiveness of reporting the restricted income as net assets without donor restrictions due to the simultaneous release from restrictions upon recognition of the revenue.

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:

Net assets without donor restrictions are those which 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.

Net assets with donor restrictions are those contributed with donor stipulations for specific purposes or those with time restrictions. Expirations of 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.

Net assets with donor restrictions are also those that are subject to donor-imposed restrictions that will never lapse, thus requiring the funds to be held in perpetuity. 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, SUPPORT AND EXPENSES

Revenues are recognized when earned. 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.

The Seminary recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Academic programs are delivered in the Fall and Spring academic terms, which fall entirely within the fiscal year. Need-based institutional aid, in the form of scholarships and financial aid, includes amounts funded by the institution as well as by gifts, and reduces the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Payments for tuition and fees are due before the first day of class, unless a student makes arrangements with the Seminary to pay in installments, the first of which is due at the beginning of the term. All balances must be paid in full for the previous term before a student is permitted to register for a new term. First-time students are required to pay a \$75 nonrefundable application fee at the time their application is submitted. Students secure their enrollment by paying a \$500 nonrefundable enrollment deposit. Deferred revenue amounts for student deposits and tuition for future terms are shown in Note 8. Net tuition and fees are as follows:

	Year Ended June 30,	
	2021	2020
Gross tuition and fees	\$ 808,297	\$ 872,181
Less: scholarships and financial aid	(494,655)	(553,615)
	<u>\$ 313,642</u>	<u>\$ 318,566</u>

Contributions are recognized when cash is received, unconditional promises are made or when ownership of donated assets is transferred. Donated assets (including gifts of property and equipment) are recorded at their fair values at the date of donation. The Seminary reports gifts of cash and donated assets received for general purposes as contributions without donor restrictions. The Seminary reports gifts of cash and donated assets as contributions with donor restrictions if they are received with donor stipulations that limit their use to particular purposes. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Absent explicit donor stipulations about how gifts of property and equipment must be maintained, the Seminary reports expirations of donor restrictions when the donated or acquired property and equipment are placed in service.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, SUPPORT AND EXPENSES, continued

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 years ended June 30, 2021 and 2020.

During the year ended June 30, 2021, three donors made contributions to the Seminary totaling approximately 40% of contribution revenue and 13% of total revenue and support. During the year ended June 30, 2020, three donors made contributions to the Seminary totaling approximately 18% of contribution and grant revenue and 8% of total revenue and support.

Government grants consist of CARES Act funding. The Seminary expended and recognized as government grants, in the statements of activities, an allocation from the United States Department of Education (ED) of CARES Act "Higher Education Emergency Relief Funds" (HEERF) totaling \$401,213. \$118,221 was distributed directly to eligible students and \$282,992 was used to help the Seminary offset the financial impact from the COVID-19 pandemic.

In addition, as described previously in these notes, the Seminary received a PPP loan administered by the SBA under the CARES Act. The Seminary incurred the full \$499,730 of eligible costs and applied for and received notification of full loan forgiveness during the year ended June 30, 2021, which is recorded as a component of government grants in the statements of activities.

Auxiliary enterprises revenue includes fees for student housing and food services. Payments for student housing and food services are due before the first day of class, unless a student makes arrangements with the Seminary to pay in installments, the first of which is due at the beginning of the term. All balances must be paid in full for the previous term before a student is permitted to register for a new term. Performance obligations for housing and food services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered. Auxiliary enterprises revenue also includes bookstore sales revenue, which is recognized at the point a sale is made. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Gains and losses on investments and other assets or liabilities are recognized in the period earned or incurred and are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, SUPPORT AND EXPENSES, continued

Expenses are recognized in the period incurred and are reported as decreases in net assets without donor restrictions. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program, general and administrative and fundraising on the basis of periodic time and expense studies. General and administrative and fundraising 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. The categories of expenses that are allocated include salaries and benefits, depreciation, and facilities repairs and maintenance. Advertising is expensed as incurred. Advertising expenses totaled approximately \$11,000 and \$19,000 for the years ended June 30, 2021 and 2020, respectively. The Seminary incurred no joint costs for the years ended June 30, 2021 and 2020.

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-19, *Revenue from Contracts with Customers* (topic 606 of the FASB Accounting Standards Codification). The Seminary adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers (students) that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. As a result of adopting this standard, new disclosures were added regarding tuition and fee revenue, auxiliary enterprises revenue, and revenue recognition.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Seminary's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for specific purposes.

	June 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 313,017	\$ 448,618
Accounts receivable, net	167,487	237,552
Pledges receivable, net	283,208	38,973
Investments	15,928,979	12,582,476
Financial assets, at year end	<u>16,692,691</u>	<u>13,307,619</u>
Less those unavailable for general expenditure within one year, due to:		
Pledges receivable expected to be collected beyond one year	(16,876)	(20,125)
Perpetual and board designated endowments and accumulated earnings, net of underwater endowments and internal borrowing from endowments	<u>(15,678,004)</u>	<u>(12,582,476)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 997,811</u>	<u>\$ 705,018</u>

In addition to tuition, fees, and auxiliary enterprises, the Seminary is substantially supported by contributions without and with donor restrictions. Those contributions with donor restrictions require resources to be used in a particular manner or in a future period. The Seminary must maintain sufficient resources to meet those responsibilities to its donors. Thus, at times financial assets may not be available for general expenditure within one year. The Seminary has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage liquidity needs, the Seminary has available a margin loan with its primary investment brokerage of approximately \$4,550,000 (Note 9), which was fully available as of both June 30, 2021 and 2020.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

4. PLEDGES RECEIVABLE-NET:

Pledges receivable-net consist of the following:

	June 30,	
	2021	2020
Due in less than one year	\$ 266,458	\$ 22,618
Due in one to five years	16,876	20,125
	283,334	42,743
Less: unamortized discount	(126)	(3,770)
	<u>\$ 283,208</u>	<u>\$ 38,973</u>

5. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2021	2020
Cash and money market funds	\$ 1,823,846	\$ 1,035,334
Equity securities	2,288,569	2,270,754
Mutual and exchange-traded funds	11,400,164	8,653,613
Note receivable, at cost	250,000	250,000
Investment in limited partnership, at NAV	166,400	372,775
	<u>\$ 15,928,979</u>	<u>\$ 12,582,476</u>

Endowment and investment income consists of the following:

	Year Ended June 30,	
	2021	2020
Interest and dividends	\$ 597,441	\$ 458,340
Realized gains and unrealized gains (losses)	2,599,382	(523,992)
Investment fees	(60,508)	(54,043)
	<u>\$ 3,136,315</u>	<u>\$ (119,695)</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

6. 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:

	June 30, 2021			
	Fair Value Disclosure			
	Total	Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds	\$ 1,573,156	\$ 1,573,156	\$ -	\$ -
Equity securities	2,288,569	2,288,569	-	-
Mutual and exchange-traded funds	11,400,164	11,400,164	-	-
	<u>15,261,889</u>	<u>\$ 15,261,889</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Limited partnership	<u>166,400</u>			
Investments measured at cost:				
Note receivable	250,000			
Cash held in brokerage accounts	<u>250,690</u>			
	<u>500,690</u>			
	<u>\$ 15,928,979</u>			

The Seminary uses 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, 2021:

<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>\$ 166,400</u>	1.5 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, 2021 and 2020

6. FAIR VALUE MEASUREMENTS, continued:

	June 30, 2020			
	Fair Value Disclosure			
	Total	Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds	\$ 908,575	\$ 908,575	\$ -	\$ -
Equity securities	2,270,754	2,270,754	-	-
Mutual and exchange-traded funds	8,653,613	8,653,613	-	-
	<u>11,832,942</u>	<u>\$ 11,832,942</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Limited partnership	<u>372,775</u>			
Investments measured at cost:				
Note receivable	250,000			
Cash held in brokerage accounts	<u>126,759</u>			
	<u>376,759</u>			
	<u>\$ 12,582,476</u>			

The Seminary uses 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, 2020:

<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>\$ 372,775</u>	2.5 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, 2021 and 2020

7. PROPERTY AND EQUIPMENT-NET:

Property and equipment-net is summarized as follows:

	June 30,	
	2021	2020
Land	\$ 698,340	\$ 698,340
Land improvements	649,602	649,602
Building and improvements	19,614,391	19,509,881
Library books and media	1,422,084	1,408,079
Furniture and equipment	1,013,119	922,059
Vehicles	61,694	61,694
	<u>23,459,230</u>	<u>23,249,655</u>
Less: accumulated depreciation	<u>(13,396,102)</u>	<u>(12,840,221)</u>
	<u>\$ 10,063,128</u>	<u>\$ 10,409,434</u>

8. DEFERRED REVENUE:

The activity and balances for deferred revenue for contracts with students (including tuition, fees, housing and food services), as well as other deferred revenue are shown in the following table:

Beginning balance, related to contracts with customers	\$ 11,570	\$ 24,429
Revenue recognized for tuition, fees, housing and food services	(11,570)	(24,429)
Payments received for future performance obligations - tuition, fees, housing and food services	<u>28,659</u>	<u>11,570</u>
Ending balance, related to contracts with customers	<u>28,659</u>	<u>11,570</u>
Other deferred revenue	<u>161,041</u>	<u>165,210</u>
	<u>\$ 189,700</u>	<u>\$ 176,780</u>

9. COMMITMENTS:

The Seminary has available an open ended margin loan with its primary brokerage, with no fixed maturity date. Borrowing capacity was approximately \$4,550,000 and \$3,060,000 at June 30, 2021 and 2020, respectively. 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, 2021 and 2020.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

10. NET ASSETS:

Net assets consist of:

	June 30,	
	2021	2020
Net assets without donor restrictions:		
Undesignated	\$ 7,171,868	\$ 6,920,664
Board designated for endowment	1,128,347	949,261
Total net assets without donor restrictions	8,300,215	7,869,925
Net assets with donor restrictions:		
Subject to expenditure for a specified time or purpose:		
Scholarship and student aid funds	209,503	206,689
Other restricted purposes	54,402	54,598
Operating pledges receivable, net	33,208	38,973
	297,113	300,260
Subject to the Seminary's endowment spending policy and appropriation:		
Accumulated gains on endowment assets	5,360,910	2,754,549
Endowment funds restricted in perpetuity	13,187,475	12,654,825
	18,548,385	15,409,374
Total net assets with donor restrictions	18,845,498	15,709,634
Total net assets	\$ 27,145,713	\$ 23,579,559

11. 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 net assets with donor restrictions or net assets without donor restrictions, 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 net assets with donor restrictions required to be held in perpetuity (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 net assets with donor restrictions required to be held in perpetuity is classified as net assets with donor restrictions subject to the Seminary's spending policy and appropriation until those amounts are appropriated for expenditure by the Seminary.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

11. ENDOWMENT FUNDS, continued:

The Seminary 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 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. 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.

Endowment net assets by type of fund as of June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Board-designated funds	\$ 1,128,347	\$ -	\$ -	\$ -	\$ 1,128,347
Donor-restricted funds	-	13,187,475	5,360,910	18,548,385	18,548,385
	<u>\$ 1,128,347</u>	<u>\$ 13,187,475</u>	<u>\$ 5,360,910</u>	<u>\$ 18,548,385</u>	<u>\$ 19,676,732</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

11. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Endowment net assets - beginning of year	\$ 949,261	\$ 12,654,825	\$ 2,754,549	\$ 15,409,374	\$ 16,358,635
Contributions	-	532,650	54,016	586,666	586,666
Investment return, net	195,101	-	2,875,715	2,875,715	3,070,816
Amounts appropriated for expenditure	(16,015)	-	(323,370)	(323,370)	(339,385)
	<u>179,086</u>	<u>532,650</u>	<u>2,606,361</u>	<u>3,139,011</u>	<u>3,318,097</u>
Endowment net assets - end of year	<u>\$ 1,128,347</u>	<u>\$ 13,187,475</u>	<u>\$ 5,360,910</u>	<u>\$ 18,548,385</u>	<u>\$ 19,676,732</u>

Endowment net assets by type of fund as of June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Board-designated funds	\$ 949,261	\$ -	\$ -	\$ -	\$ 949,261
Donor-restricted funds	-	12,654,825	2,754,549	15,409,374	15,409,374
	<u>\$ 949,261</u>	<u>\$ 12,654,825</u>	<u>\$ 2,754,549</u>	<u>\$ 15,409,374</u>	<u>\$ 16,358,635</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

11. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Endowment net assets - beginning of year	\$ 951,227	\$ 12,491,675	\$ 3,217,317	\$ 15,708,992	\$ 16,660,219
Contributions	-	163,150	18,641	181,791	181,791
Investment return, net	(1,966)	-	(122,211)	(122,211)	(124,177)
Amounts appropriated for expenditure	-	-	(359,198)	(359,198)	(359,198)
	<u>(1,966)</u>	<u>163,150</u>	<u>(462,768)</u>	<u>(299,618)</u>	<u>(301,584)</u>
Endowment net assets - end of year	<u>\$ 949,261</u>	<u>\$ 12,654,825</u>	<u>\$ 2,754,549</u>	<u>\$ 15,409,374</u>	<u>\$ 16,358,635</u>

Endowment assets consist of the following components:

	June 30,	
	2021	2020
Investments	\$ 15,428,004	\$ 12,582,476
Pledges receivable for endowment	250,000	-
Loan to operations from endowment pool investments to fund:		
Debt repayment	2,639,503	2,639,503
Operating needs	1,359,225	1,136,656
	<u>\$ 19,676,732</u>	<u>\$ 16,358,635</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. A summary of underwater endowments is below. The primary reason for the deficits is use of endowment assets by the Seminary to fund debt repayment and prior year operating needs.

	June 30,	
	2021	2020
Number of individual endowment funds underwater	5	19
Original gift value of individual endowment funds underwater	\$ 684,690	\$ 2,058,394
Less: fair market value of individual endowment funds underwater	<u>(490,086)</u>	<u>(1,736,451)</u>
Underwater endowments	<u>\$ 194,604</u>	<u>\$ 321,943</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

12. 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 10% of each employee's salary (increased from 8% effective January 1, 2021), 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 contributions to the Plan, was \$120,935 and \$99,545 for the years ended June 30, 2021 and 2020, respectively. The contribution made by the Seminary represented approximately 4.5% and 3.8% for the years ended June 30, 2021 and 2020, respectively, 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.

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, 2020. 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 during the Plan year are as follows:

	FEIN	2020	2019
Orthodox Church in America Pension Plan	06-1455789	\$ 2,672,980	\$ 2,642,534

As of the Plan years ending December 31, 2020 and 2019, the Plan's total net assets available for benefits were \$26,887,662 and \$25,561,831, respectively, and the actuarial present value of accumulated Plan benefits was \$55,086,863 and \$55,648,391, respectively. As of both Plan years ending December 31, 2020 and 2019, the Plan was less than 65% funded.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2021 and 2020

13. RELATED PARTY TRANSACTIONS:

Members of the Board of Trustees contributed approximately \$270,000 and \$278,000 to the Seminary during the years ended June 30, 2021 and 2020, respectively. These contributions represent approximately 9% and 13% of total contributions and approximately 3% and 5% of total revenue for the years ended June 30, 2021 and 2020, respectively.

14. RISKS AND UNCERTAINTIES:

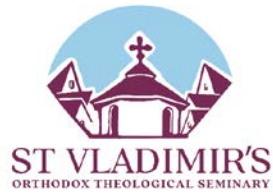
In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and has caused disruption through mandated and voluntary closings and/or transitions to remote work for numerous businesses and nonprofits, including the Seminary. While the disruptions have been temporary, there is considerable uncertainty around whether disruptions will significantly return. Therefore, the Seminary anticipates that this could have a negative effect on its operations. Further, the Seminary also anticipates this could negatively impact revenue as well. However, the extent to which the COVID-19 outbreak will ultimately financially impact the Seminary's operations or financial results cannot be reasonably estimated at this time.

15. CONTINGENCIES:

The Seminary is subject to claims, legal proceedings and investigations of matters that arise in the ordinary course of operations. In the opinion of management, as of the date of the financial statements, there were no matters outstanding for which an unfavorable outcome is probable and/or estimable.

16. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 11, 2021, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.



ST. VLADIMIR'S ORTHODOX THEOLOGICAL
SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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.

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

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, 2020 and 2019, 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
November 4, 2020

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 448,618	\$ 41,884
Accounts receivable-net	237,552	175,081
Prepaid expenses	11,885	29,182
Inventory	668,799	783,977
Pledges receivable-net	38,973	51,374
Assets held for sale	-	45,444
Investments	12,582,476	12,523,280
Cash surrender value of life insurance	185,037	181,970
Property and equipment-net	10,409,434	10,845,514
Total Assets	\$ 24,582,774	\$ 24,677,706
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 326,705	\$ 409,646
Deferred revenue	176,780	209,260
Paycheck protection program refundable advance	499,730	-
Total liabilities	1,003,215	618,906
Net assets:		
Without donor restrictions	7,869,925	8,037,682
With donor restrictions	15,709,634	16,021,118
Total net assets	23,579,559	24,058,800
Total Liabilities and Net Assets	\$ 24,582,774	\$ 24,677,706

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS:						
Tuition and fees	\$ 872,181	\$ -	\$ 872,181	\$ 899,919	\$ -	\$ 899,919
Less: scholarships and financial aid	(553,615)	-	(553,615)	(612,889)	-	(612,889)
Net tuition and fees	318,566	-	318,566	287,030	-	287,030
Contributions and grants	1,525,804	567,667	2,093,471	1,197,006	710,381	1,907,387
Endowment and investment income, net	2,516	(122,211)	(119,695)	34,755	447,167	481,922
Auxiliary enterprises	1,900,279	-	1,900,279	1,627,497	-	1,627,497
Gain on sale of assets held for sale	495,236	-	495,236	322,208	-	322,208
Other income	34,180	-	34,180	24,046	-	24,046
Total revenue and support	4,276,581	445,456	4,722,037	3,492,542	1,157,548	4,650,090
Net assets released from restrictions	756,940	(756,940)	-	942,591	(942,591)	-
Total Revenue, Support, and Reclassifications	5,033,521	(311,484)	4,722,037	4,435,133	214,957	4,650,090
EXPENSES:						
Program services	3,451,879	-	3,451,879	3,417,364	-	3,417,364
Supporting services:						
General and administrative	1,147,418	-	1,147,418	1,213,181	-	1,213,181
Fundraising	601,981	-	601,981	632,121	-	632,121
Total Expenses	5,201,278	-	5,201,278	5,262,666	-	5,262,666
Change in Net Assets	(167,757)	(311,484)	(479,241)	(827,533)	214,957	(612,576)
Net Assets, Beginning of Year	8,037,682	16,021,118	24,058,800	8,865,215	15,806,161	24,671,376
Net Assets, End of Year	\$ 7,869,925	\$ 15,709,634	\$ 23,579,559	\$ 8,037,682	\$ 16,021,118	\$ 24,058,800

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services				Supporting Services		
	Academic and Student Services	Public Service	Auxiliary Enterprises	Total Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 937,397	\$ 78,469	\$ 415,145	\$ 1,431,011	\$ 722,992	\$ 360,489	\$ 2,514,492
Depreciation expense	265,706	26,571	159,424	451,700	79,712	-	531,412
Publications cost	-	-	442,256	442,256	-	-	442,256
Facilities, repairs, and maintenance	201,447	20,145	120,868	342,459	60,434	-	402,893
Professional and consulting fees	119,978	2,833	19,167	141,978	55,396	132,318	329,692
Food services	7,047	-	174,869	181,916	-	1,050	182,966
Service contracts	43,590	3,106	26,644	73,339	93,677	-	167,016
Postage and shipping	203	-	111,733	111,936	71	9,091	121,098
Books and subscriptions	29,789	120	73,343	103,252	4,656	2,135	110,043
Travel, meals and entertainment	39,634	1,847	13,150	54,631	16,897	7,253	78,781
Technology and equipment	1,934	-	859	2,793	59,433	11,449	73,675
Seminars, conferences and honoraria	16,637	-	11,830	28,467	2,544	21,370	52,381
Bank service charges	18,203	7	13,720	31,930	5,784	7,604	45,317
Supplies	11,391	788	13,730	25,909	17,541	735	44,185
Advertising	100	369	24,091	24,560	-	17,778	42,338
Other expenses	4,315	118	6,340	10,772	13,896	6,261	30,929
Dues and fees	2,590	10	961	3,561	14,385	421	18,367
Bad debt expense	(10,023)	-	(567)	(10,590)	-	24,027	13,437
	<u>\$ 1,689,936</u>	<u>\$ 134,382</u>	<u>\$ 1,627,562</u>	<u>\$ 3,451,879</u>	<u>\$ 1,147,418</u>	<u>\$ 601,981</u>	<u>\$ 5,201,278</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Supporting Services		
	Academic and Student Services	Public Service	Auxiliary Enterprises	Total Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,026,736	\$ 91,545	\$ 357,088	\$ 1,475,369	\$ 637,768	\$ 240,519	\$ 2,353,656
Depreciation expense	289,129	19,668	159,625	468,422	59,245	-	527,667
Publications cost	-	-	384,464	384,464	-	-	384,464
Facilities, repairs, and maintenance	224,338	21,011	131,512	376,861	109,383	4,913	491,157
Professional and consulting fees	84,794	580	8,189	93,563	36,698	140,529	270,790
Food services	16,987	-	170,345	187,332	1,820	4,453	193,605
Service contracts	11,506	-	2,400	13,906	53,581	15,413	82,900
Postage and shipping	1,742	250	98,432	100,424	4,660	51,944	157,028
Books and subscriptions	38,620	-	76,274	114,894	3,623	6,953	125,470
Travel, meals and entertainment	41,675	181	19,651	61,507	39,048	82,384	182,939
Technology and equipment	1,030	-	712	1,742	28,689	972	31,403
Seminars, conferences and honoraria	60,232	-	10,501	70,733	12,154	38,147	121,034
Bank service charges	13,702	-	9,489	23,191	5,265	9,342	37,798
Supplies	9,764	491	6,864	17,119	26,938	6,640	50,697
Advertising	1,515	-	8,454	9,969	1,838	25,177	36,984
Other expenses	5,445	-	7,511	12,956	26,719	4,255	43,930
Dues and fees	3,808	-	1,104	4,912	8,067	480	13,459
Bad debt expense	-	-	-	-	157,685	-	157,685
	<u>\$ 1,831,023</u>	<u>\$ 133,726</u>	<u>\$ 1,452,615</u>	<u>\$ 3,417,364</u>	<u>\$ 1,213,181</u>	<u>\$ 632,121</u>	<u>\$ 5,262,666</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (479,241)	\$ (612,576)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	531,412	527,667
Realized and unrealized gain on investments	523,992	(75,410)
Bad debt expense, student services	(10,023)	25,884
Bad debt expense, bookstore	(567)	(761)
Bad debt expense, advancement	24,027	132,562
Contributions restricted for endowments	(181,791)	(217,759)
Gain on sale of asset held for sale	(495,236)	(335,842)
Actuarial change in value of annuity and life trust payable	-	10,051
Liability portion of matured annuity and life trust agreements	-	(96,992)
Changes in:		
Accounts receivable-net	(51,881)	(52,286)
Prepaid expenses	17,297	2,900
Inventory	115,178	58,259
Pledges receivable-net	(11,626)	58,541
Cash surrender value of life insurance	(3,067)	(1,533)
Accounts payable and accrued expenses	(82,941)	31,978
Deferred revenue	(32,480)	89,962
Paycheck protection program refundable advance	499,730	-
Net Cash Provided (Used) By Operating Activities	<u>362,783</u>	<u>(455,355)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,983,350)	(4,803,065)
Proceeds from maturity or sale of investments	6,400,162	4,871,438
Purchase of property and equipment	(95,332)	(316,533)
Proceeds from sale of asset held for sale	540,680	533,683
Net Cash Provided (Used) By Investing Activities	<u>(137,840)</u>	<u>285,523</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowments	181,791	217,759
Payments to annuitants	-	(10,086)
Net Cash Provided By Financing Activities	<u>181,791</u>	<u>207,673</u>
Change in Cash and Cash Equivalents	406,734	37,841
Cash and Cash Equivalents, Beginning of Year	<u>41,884</u>	<u>4,043</u>
Cash and Cash Equivalents, End of Year	<u>\$ 448,618</u>	<u>\$ 41,884</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

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 (including student housing and food service income and seminary press and bookstore sales).

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 is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Seminary is subject to federal income tax on any unrelated business income. In addition, the Seminary has not been classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

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's cash balances exceeded federally insured limits by \$80,722 and \$0- for the years ended June 30, 2020 and 2019, respectively. The Seminary has not experienced any loss on these accounts and does not believe that it is exposed to any 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE, continued

Accounts receivable balances are as follows:

	June 30,	
	2020	2019
Student tuition receivable	\$ 142,944	\$ 163,273
Bookstore receivable	158,359	116,009
	301,303	279,282
Less: Allowance for uncollectible student tuition receivables	(47,915)	(87,798)
Less: Allowance for uncollectible bookstore receivables	(15,836)	(16,403)
	<u>\$ 237,552</u>	<u>\$ 175,081</u>

INVENTORY

The Seminary's bookstore inventory consists primarily of publications and is stated at the lower of cost or net realizable value utilizing 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, using a risk adjusted discount rate of 3%. An allowance for uncollectible pledges receivable is provided based upon managements judgement, including such factors as prior collection history, type of contribution and nature of fundraising activity.

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, 2019, assets held for sale consists of one residential property owned by the Seminary. The carrying amount of this property is \$45,444. During the year ended June 30, 2020, the Seminary closed on the sale of this residential property. The gain on sale amounted to approximately \$495,000 and is presented as a component of gain on sale of assets held for sale in the statements of activities. During the year ended June 30, 2019, the Seminary closed on the sale of another residential property, with a gain on sale of approximately \$336,000 and is presented as a component of gain on sale of assets held for sale in the statements of activities.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments comprise cash held in brokerage accounts, money market funds, marketable debt and equity securities, and are reported at fair value. Donated investments are 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, dividends and interest, net of fees, are included in endowment and investment income without donor restrictions in the statements of activities unless a donor restriction or state law restricts their use. 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 financial statements.

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 net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

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, equipment and vehicles	5 to 10 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 the years ended June 30, 2020 and 2019.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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. 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; and 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 years ended June 30, 2020 and 2019.

Corporate equity securities, mutual and exchange traded funds

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

Limited partnerships

Valued using net asset value (NAV) as a practical expedient, as determined by the fund's professional managers, and are excluded from the fair value hierarchy.

PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

The Seminary was approved for a Paycheck Protection Program loan of \$499,730, on April 18, 2020, through the Coronavirus Aid, Relief, and Economic Security Act and administered by the Small Business Administration, and is carried as Paycheck Protection Program refundable advance in the statements of financial position. The loan accrues interest at 1.00% per annum and matures two years from the date it was funded. This loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met. The Seminary intends to apply for forgiveness subsequent to year end.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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:

Net assets without donor restrictions are those which 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.

Net assets with donor restrictions are those contributed with donor stipulations for specific purposes or those with time restrictions. Expirations of 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.

Net assets with donor restrictions are also those that are subject to donor-imposed restrictions that will never lapse, thus requiring the funds to be held in perpetuity. 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, SUPPORT AND EXPENSES

Revenues are recognized when earned. 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. The Seminary reports gifts of cash and other assets (including gifts of property and equipment) and are recorded at their fair values at the date of donation 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Absent explicit donor stipulations about how gifts of property and equipment must be maintained, the Seminary reports expirations of donor restrictions when the donated or acquired property and equipment are placed in service. Gains and losses on investments and other assets or liabilities are recognized in the period earned or incurred and are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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 years ended June 30, 2020 and 2019.

During the year ended June 30, 2020, three donors made contributions to the Seminary totaling approximately 18% of contribution and grant revenue and 8% of total revenue and support. During the year ended June 30, 2019, three donors made contributions to the Seminary totaling approximately 20% of contribution and grant revenue and 8% of total revenue and support.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, SUPPORT AND EXPENSES, continued

Expenses are recognized in the period incurred and are reported as decreases in net assets without donor restrictions. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program, general and administrative and fundraising on the basis of periodic time and expense studies. General and administrative and fundraising 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. The categories of expenses that are allocated include salaries and benefits, depreciation, and facilities repairs and maintenance. Advertising is expensed as incurred. The Seminary incurred no joint costs for the years ended June 30, 2020 and 2019.

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Seminary adopted the provisions of this new standard during the year ended June 30, 2020, and has implemented the guidance on a modified retrospective approach, meaning, changes are only applied to the portion of revenue that has not yet been recognized before the adoption of this ASU. The new standard clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. Adoption of this standard had no effect on change in net assets or net assets in total as of June 30, 2020 and 2019.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods and services. ASU 2014-09 defines a five-step process to achieve this and, in doing so, more judgement and estimates may be required within the revenue recognition process than are required under existing GAAP. The standard is effective for annual periods beginning after December 31, 2019, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Seminary is currently evaluating the impact of its pending adoption of ASU 2014-09 on the financial statements and has not yet determined the method by which the Seminary will adopt the standard for the fiscal year ending June 30, 2021.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Seminary's financial assets, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for specific purposes.

	June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 448,618	\$ 41,884
Accounts receivable, net	237,552	175,081
Pledges receivable, net	38,973	51,374
Investments	12,582,476	12,523,280
Cash surrender value of life insurance	185,037	181,970
Financial assets, at year end	<u>13,492,656</u>	<u>12,973,589</u>
Less those unavailable for general expenditure within one year, due to:		
Cash surrender value of life insurance not expected to be converted within one year	(185,037)	(181,970)
Pledges receivable expected to be collected beyond one year	(20,125)	(53,076)
Perpetual and board designated endowments and accumulated earnings, net of underwater endowments and internal borrowing from endowments	<u>(12,582,476)</u>	<u>(12,470,799)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 705,018</u>	<u>\$ 267,744</u>

In addition to tuition, fees, and auxiliary enterprises, the Seminary is substantially supported by contributions without and with donor restrictions. Those contributions with donor restriction require resources to be used in a particular manner or in a future period. The Seminary must maintain sufficient resources to meet those responsibilities to its donors. Thus, at times financial assets may not be available for general expenditure within one year. The Seminary has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage liquidity needs, the Seminary has available a margin loan with its primary investment brokerage of approximately \$3,060,000 (Note 8), which was fully available as of both June 30, 2020 and 2019.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

4. PLEDGES RECEIVABLE-NET:

Pledges receivable-net consist of the following:

	June 30,	
	2020	2019
Due in less than one year	\$ 22,618	\$ 28,202
Due in one to five years	20,125	53,076
	42,743	81,278
Less: allowance for uncollectible pledges	-	(25,108)
Less: unamortized discount	(3,770)	(4,796)
	<u>\$ 38,973</u>	<u>\$ 51,374</u>

5. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2020	2019
Cash and money market funds	\$ 1,035,334	\$ 322,320
Equity securities	2,270,754	2,414,144
Mutual and exchange traded funds	8,653,613	9,341,816
Note receivable, at cost	250,000	-
Investment in limited partnership, at NAV	372,775	445,000
	<u>\$ 12,582,476</u>	<u>\$ 12,523,280</u>

Endowment and investment income consists of the following:

	Year Ended June 30,	
	2020	2019
Interest and dividends	\$ 458,340	\$ 439,506
Realized gains and unrealized gains (losses)	(523,992)	75,410
Investment fees	(54,043)	(32,994)
	<u>\$ (119,695)</u>	<u>\$ 481,922</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

6. 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:

	June 30, 2020			
	Fair Value Disclosure			
	Total	Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds	\$ 908,575	\$ 908,575	\$ -	\$ -
Equity securities	2,270,754	2,270,754	-	-
Mutual and exchange traded funds	8,653,613	8,653,613	-	-
	<u>11,832,942</u>	<u>\$ 11,832,942</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
Limited partnership	<u>372,775</u>			
Investments measured at cost:				
Note receivable	250,000			
Cash held in brokerage accounts	<u>126,759</u>			
	<u>376,759</u>			
	<u>\$ 12,582,476</u>			

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, 2020:

<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>\$ 372,775</u>	2.5 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, 2020 and 2019

6. FAIR VALUE MEASUREMENTS, continued:

	June 30, 2019			
	Total	Fair Value Disclosure		
		Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds	\$ 284,201	\$ 284,201	\$ -	\$ -
Equity securities	2,414,144	2,414,144	-	-
Mutual and exchange traded funds	9,341,816	9,341,816	-	-
	<u>12,040,161</u>	<u>12,040,161</u>	<u>-</u>	<u>-</u>
Investments measured at NAV:				
Limited partnership	<u>445,000</u>			
Investments measured at cost:				
Cash held in brokerage accounts	<u>38,119</u>			
	<u>\$ 12,523,280</u>			

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, 2019:

<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>\$ 445,000</u>	3.5 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, 2020 and 2019

7. PROPERTY AND EQUIPMENT-NET:

Property and equipment-net is summarized as follows:

	June 30,	
	2020	2019
Land	\$ 698,340	\$ 698,340
Land improvements	649,602	649,602
Building and improvements	19,509,881	19,463,649
Library books and media	1,408,079	1,394,074
Furniture and equipment	922,059	886,964
Vehicles	61,694	61,694
	<u>23,249,655</u>	<u>23,154,323</u>
Less: accumulated depreciation	<u>(12,840,221)</u>	<u>(12,308,809)</u>
	<u>\$ 10,409,434</u>	<u>\$ 10,845,514</u>

Depreciation expense for the years ended June 30, 2020 and 2019, amounted to \$531,412 and \$527,667, respectively.

8. COMMITMENTS:

The Seminary has available an open ended margin 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, 2020 and 2019.

9. NET ASSETS:

Net assets consist of:

	June 30,	
	2020	2019
Net assets without donor restrictions:		
Undesignated	\$ 6,920,664	\$ 7,086,455
Board designated for endowment	949,261	951,227
Total net assets without donor restrictions	<u>7,869,925</u>	<u>8,037,682</u>
Net assets with donor restrictions:		
Subject to expenditure for a specified time or purpose:		
Scholarship and student aid funds	206,689	225,245
Other restricted purposes	54,598	35,507
Pledges receivable, net	38,973	51,374
	<u>300,260</u>	<u>312,126</u>

(continued)

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

9. NET ASSETS, continued:

	June 30,	
	2020	2019
Subject to the Seminary's endowment spending policy and appropriation:		
Accumulated gains on endowment assets	2,754,549	3,217,317
Endowment funds restricted in perpetuity	12,654,825	12,491,675
	<u>15,409,374</u>	<u>15,708,992</u>
Total net assets with donor restrictions	<u>15,709,634</u>	<u>16,021,118</u>
Total net assets	<u>\$ 23,579,559</u>	<u>\$ 24,058,800</u>

Net assets released from restrictions consists of the following:

	Year Ended June 30,	
	2020	2019
Purpose and time restrictions:		
Scholarship and student aid funds	\$ 250,933	\$ 321,768
Endowment appropriations for expenditure	359,198	366,685
Other restricted purposes	126,809	63,035
Pledges receivable, net	<u>20,000</u>	<u>191,103</u>
	<u>\$ 756,940</u>	<u>\$ 942,591</u>

10. 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 net assets with donor restrictions or net assets without donor restrictions, 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 net assets with donor restrictions required to be held in perpetuity (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 net assets with donor restrictions required to be held in perpetuity is classified as net assets with donor restrictions subject to the Seminary's spending policy and appropriation until those amounts are appropriated for expenditure by the Seminary.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

10. ENDOWMENT FUNDS, continued:

The Seminary 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 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. 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.

Endowment net assets by type of fund as of June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Board-designated funds	\$ 949,261	\$ -	\$ -	\$ -	\$ 949,261
Donor-restricted funds	-	12,654,825	2,754,549	15,409,374	15,409,374
	<u>\$ 949,261</u>	<u>\$ 12,654,825</u>	<u>\$ 2,754,549</u>	<u>\$ 15,409,374</u>	<u>\$ 16,358,635</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

10. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Endowment net assets - beginning of year	\$ 951,227	\$ 12,491,675	\$ 3,217,317	\$ 15,708,992	\$ 16,660,219
Contributions	-	163,150	18,641	181,791	181,791
Investment return, net	(1,966)	-	(122,211)	(122,211)	(124,177)
Amounts appropriated for expenditure	-	-	(359,198)	(359,198)	(359,198)
	(1,966)	163,150	(462,768)	(299,618)	(301,584)
Endowment net assets - end of year	\$ 949,261	\$ 12,654,825	\$ 2,754,549	\$ 15,409,374	\$ 16,358,635

Endowment net assets by type of fund as of June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Board-designated funds	\$ 951,227	\$ -	\$ -	\$ -	\$ 951,227
Donor-restricted funds	-	12,491,675	3,217,317	15,708,992	15,708,992
	\$ 951,227	\$ 12,491,675	\$ 3,217,317	\$ 15,708,992	\$ 16,660,219

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

10. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Endowment net assets - beginning of year	\$ 1,106,317	\$ 12,273,916	\$ 3,091,901	\$ 15,365,817	\$ 16,472,134
Contributions	100,000	217,759	44,934	262,693	362,693
Investment return, net	32,314	-	447,167	447,167	479,481
Amounts appropriated for expenditure	(287,404)	-	(366,685)	(366,685)	(654,089)
	<u>(155,090)</u>	<u>217,759</u>	<u>125,416</u>	<u>343,175</u>	<u>188,085</u>
Endowment net assets - end of year	<u>\$ 951,227</u>	<u>\$ 12,491,675</u>	<u>\$ 3,217,317</u>	<u>\$ 15,708,992</u>	<u>\$ 16,660,219</u>

Endowment assets consist of the following components:

	June 30,	
	2020	2019
Investments	\$ 12,582,476	\$ 12,470,799
Loan to operations from endowment pool investments to fund:		
Debt repayment	2,639,503	2,639,503
Operating deficits	1,136,656	1,549,917
	<u>\$ 16,358,635</u>	<u>\$ 16,660,219</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. A summary of underwater endowments is below. The primary reason for the deficits is use of endowment assets by the Seminary to fund debt repayment and prior year operating deficits.

	June 30,	
	2020	2019
Number of individual endowment funds underwater	19	7
Original gift value of individual endowment funds underwater	\$ 2,058,394	\$ 735,135
Less: fair market value of individual endowment funds underwater	<u>(1,736,451)</u>	<u>(485,567)</u>
Underwater endowments	<u>\$ 321,962</u>	<u>\$ 249,575</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

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 contributions to the Plan, was \$99,545 and \$104,897 for the years ended June 30, 2020 and 2019, respectively. The contribution made by the Seminary represented approximately 3.8% and 4.1% for the years ended June 30, 2020 and 2019, respectively, 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.

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, 2019. 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 during the Plan year are as follows:

	FEIN	2019	2018
Orthodox Church in America Pension Plan	06-1455789	\$ 2,642,534	\$ 2,567,215

As of the Plan years ending December 31, 2019 and 2018, the Plan's total net assets available for benefits were \$25,561,831 and \$22,589,895, respectively, and the actuarial present value of accumulated Plan benefits was \$55,648,391 and \$52,989,527, respectively. As of both Plan years ending December 31, 2019 and 2018, the Plan was less than 65% funded.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2020 and 2019

12. RELATED PARTY TRANSACTIONS:

Members of the Board of Trustees contributed approximately \$278,154 and \$342,000 to the Seminary during the years ended June 30, 2020 and 2019, respectively. These contributions represent 13% and 18% of total contributions and 5% and 7% of total revenue for the years ended June 30, 2020 and 2019, respectively.

13. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and has caused disruption through mandated and voluntary closings and/or transitions to remote work for numerous businesses and nonprofits, including the Seminary. While the disruptions are currently expected to be temporary, there is considerable uncertainty around the duration of these disruptions. Therefore, the Seminary anticipates that this could have a negative effect on its operations. Further, the Seminary also anticipates this could negatively impact contributions as well. However, the extent to which the COVID-19 outbreak will financially impact the Seminary's operations or financial results cannot be reasonably estimated at this time. In response to the COVID-19 outbreak, on April 18, 2020, the Seminary received a Paycheck Protection Program loan through the Small Business Administration (see Note 2).

14. CONTINGENCIES:

The Seminary is subject to claims, legal proceedings and investigations of matters that arise in the ordinary course of operations. In the opinion of management, as of the date of the financial statements, there were no matters outstanding for which an unfavorable outcome is probable and/or estimable.

15. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 4, 2020, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Subsequent to year end, on September 1, 2020, the Seminary applied for and received approximately \$475,000 in funding from the Department of Education (ED) through the Higher Education Emergency Relief Fund (HEERF), which is a component of the Coronavirus Aid, Relief and Economic Security (CARES) Act funding.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of St. Vladimir's Orthodox Theological Seminary as of and for the year ended June 30, 2020, and have issued our report thereon dated November 4, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The financial responsibility supplemental schedule is presented for the purposes of additional analysis as required by the U.S. Department of Education 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.

Capin Crouse LLP

New York, New York
November 4, 2020

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2020

	Primary Reserve Ratio:			
		Expendable Net Assets:		
1	Statements of Financial Position - Net assets without donor restrictions, page 3	Net assets without donor restrictions		\$ 7,869,925
2	Statements of Financial Position - Net assets with donor restrictions, page 3	Net assets with donor restrictions		\$ 15,709,634
3	None	Secured and Unsecured related party receivable	\$ -	
4	None	Unsecured related party receivable		\$ -
5	Statements of Financial Position - Property and equipment-net, page 3	Property, plant and equipment, net (includes Construction in progress)	\$ 10,409,434	
6	Financial Responsibility Reconciliation, Line 1c	Property, plant and equipment pre-implementation		\$ 10,314,102
7	None	Property, plant and equipment post-implementation with outstanding debt for original purchase		\$ -
8	Financial Responsibility Reconciliation, Line 2a	Property, plant and equipment post-implementation without outstanding debt for original purchase		\$ 95,332
9	None	Construction in progress		\$ -
10	None - ASU 2016-02 has not been implemented as of June 30, 2020	Lease right-of-use asset, net	\$ -	
11	None - ASU 2016-02 has not been implemented as of June 30, 2020	Lease right-of-use asset, pre-implementation		\$ -
12	None - ASU 2016-02 has not been implemented as of June 30, 2020	Lease right-of-use asset, post-implementation		\$ -
13	None	Intangible assets		\$ -
14	None	Post-employment and pension liabilities		\$ -
15	None	Long-term debt - for long term purposes	\$ -	
16	None	Long-term debt - for long term purposes pre-implementation		\$ -
17	None	Long-term debt - for long term purposes post-implementation		\$ -
18	None	Line of Credit for Construction in progress		\$ -
19	None - ASU 2016-02 has not been implemented as of June 30, 2020	Lease right-of-use asset liability	\$ -	
20	None - ASU 2016-02 has not been implemented as of June 30, 2020	Pre-implementation right-of-use asset liability		\$ -
21	None - ASU 2016-02 has not been implemented as of June 30, 2020	Post-implementation right-of-use asset liability		\$ -
22	None	Annuities, term endowments and life income with donor restrictions	\$ -	
23	None	Annuities with donor restrictions		\$ -
24	None	Term endowments with donor restrictions		\$ -
25	None	Life income funds with donor restrictions		\$ -
26	Notes to Financial Statements, Note 9: Net Assets, page 19	Net assets with donor restrictions: restricted in perpetuity		\$ 12,654,825
		Total Expenses and Losses:		
27	Statements of Activities - Total Expenses, page 4	Total expenses without donor restrictions - taken directly from Statements of Activities		\$ 5,201,278
28	None	Non-Operating and Net Investment (loss)		\$ -
29	None	Net investment losses		\$ -
30	None	Pension -related changes other than net periodic costs		\$ -

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2020

	Equity Ratio:			
		Modified Net Assets:		
31	Statements of Financial Position - Net Assets without Donor Restrictions, page 3.	Net assets without donor restrictions		\$ 7,869,925
32	Statements of Financial Position - Total Net Assets with Donor Restrictions, page 3.	Net assets with donor restrictions		\$ 15,709,634
33	Intangible Assets - (None)	Intangible assets		\$ -
34	Goodwill - (None)	Intangible assets		\$ -
35	None	Secured and Unsecured related party receivables	\$ -	
36	None	Unsecured related party receivables		\$ -
		Modified Assets:		
37	Statements of Financial Position - Total assets, page 3	Total assets		\$ 24,582,774
38	None - ASU 2016-02 has not been implemented as of June 30, 2020	Lease right-of-use asset pre-implementation		\$ -
39	None - ASU 2016-02 has not been implemented as of June 30, 2020	Pre-implementation right-of-use asset liability		\$ -
40	Intangible Assets - (None)	Intangible assets		\$ -
41	None	Secured and Unsecured related party receivables	\$ -	
42	None	Unsecured related party receivables		\$ -
	Net Income Ratio:			
43	Statements of Activities - Change in Net Assets Without Donor Restrictions, page 4	Change in Net Assets Without Donor Restrictions		\$ (167,757)
44	Statements of Activities - Net Assets Without Donor Restrictions - Total Revenue, Support, and Reclassifications, less endowment and investment income-net, page 4	Total Revenue, Support, and Reclassifications less: endowment and investment income-net (see #45 below) and gain on sale of assets held for sale (see #46 below)	\$ 4,535,769	
45	Statements of Activities - Net Assets Without Donor Restrictions - Endowment and investment income-net, page 4	Endowment and investment income-net	\$ 2,516	
46	Statements of Activities - Net Assets Without Donor Restrictions - Gain on sale of assets held for sale, page 4	Gain on sale of assets held for sale	\$ 495,236	
47	Statements of Activities - Net Assets Without Donor Restrictions - Total Revenue, Support, and Reclassifications, page 4	Total Revenues and Gains		\$ 5,033,521

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Financial Responsibility Reconciliation

Year Ended June 30, 2020

The Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These reconciliation disclosures are not required by accounting principles generally accepted in the United States of America but are intended for use by the Department of Education and to ensure compliance with Federal Title IV regulations.

Property, Plant and Equipment, net

1	Pre-implementation property, plant and equipment, net (PP&E, net)	
a.	Ending balance of last financial statements (June 30, 2019)	\$ 10,845,514
b.	Less subsequent depreciation and disposals	<u>(531,412)</u>
c.	Balance Pre-implementation property, plant and equipment, net	<u>10,314,102</u>
2	Post-implementation property, plant and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019	<u>95,332</u>
3	Total Property, Plant and Equipment, net - June 30, 2020	<u><u>\$ 10,409,434</u></u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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.

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

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, 2019 and 2018, 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.

Emphasis of Matter

St. Vladimir's Orthodox Theological Seminary has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

New York, New York
November 14, 2019

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 41,884	\$ 4,043
Accounts receivable, net	175,081	147,918
Prepaid expenses	29,182	32,082
Inventory	783,977	842,236
Pledges receivable, net	51,374	242,477
Assets held for sale	45,444	229,232
Investments	12,523,280	12,516,243
Cash surrender value of life insurance	181,970	180,437
Property and equipment-net	10,845,514	11,070,701
Total Assets	\$ 24,677,706	\$ 25,265,369
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 407,132	\$ 375,154
Deferred revenue	209,260	119,298
Annuity and life trust payable	2,514	99,541
Total liabilities	618,906	593,993
Net assets:		
Without donor restrictions	8,037,682	8,865,215
With donor restrictions	16,021,118	15,806,161
Total net assets	24,058,800	24,671,376
Total Liabilities and Net Assets	\$ 24,677,706	\$ 25,265,369

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS:						
Tuition and fees	\$ 899,919	\$ -	\$ 899,919	\$ 824,764	\$ -	\$ 824,764
Less: scholarships and financial aid	(612,889)	-	(612,889)	(562,447)	-	(562,447)
Net tuition and fees	287,030	-	287,030	262,317	-	262,317
Contributions and grants	1,197,006	710,381	1,907,387	1,078,925	1,068,513	2,147,438
Endowment and investment income, net	34,755	447,167	481,922	53,490	670,169	723,659
Auxiliary enterprises	1,627,497	-	1,627,497	1,546,864	-	1,546,864
Other income	346,254	-	346,254	40,478	-	40,478
Total revenue and support	3,492,542	1,157,548	4,650,090	2,982,074	1,738,682	4,720,756
Net assets released from restrictions	942,591	(942,591)	-	837,486	(837,486)	-
Total Revenue, Support, and Reclassifications	4,435,133	214,957	4,650,090	3,819,560	901,196	4,720,756
EXPENSES:						
Program services	3,417,364	-	3,417,364	3,191,414	-	3,191,414
Supporting services:						
General and administrative	1,213,181	-	1,213,181	927,260	-	927,260
Fundraising	632,121	-	632,121	540,714	-	540,714
Total Expenses	5,262,666	-	5,262,666	4,659,388	-	4,659,388
Change in Net Assets	(827,533)	214,957	(612,576)	(839,828)	901,196	61,368
Net Assets, Beginning of Year	8,865,215	15,806,161	24,671,376	9,705,043	14,904,965	24,610,008
Net Assets, End of Year	\$ 8,037,682	\$ 16,021,118	\$ 24,058,800	\$ 8,865,215	\$ 15,806,161	\$ 24,671,376

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Functional Expenses

Year Ended June 30, 2019

With Summarized Comparative Totals For The Year Ended June 30, 2018

	2019							2018
	Program Services				Supporting Services			
	Academic and Student Services	Public Service	Auxiliary Enterprises	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries and benefits	\$ 1,026,736	\$ 91,545	\$ 357,088	\$ 1,475,369	\$ 637,768	\$ 240,519	\$ 2,353,656	\$ 2,087,811
Professional and consulting fees	84,794	580	8,189	93,563	36,698	140,529	270,790	269,965
Technology and equipment	1,030	-	712	1,742	28,689	972	31,403	43,528
Dues and fees	3,808	-	1,104	4,912	8,067	480	13,459	9,509
Advertising	1,515	-	8,454	9,969	1,838	25,177	36,984	10,962
Other expenses	5,445	-	7,511	12,956	26,719	4,255	43,930	68,573
Bad debt expense	-	-	-	-	157,685	-	157,685	32,022
Bank service charges	13,702	-	9,489	23,191	5,265	9,342	37,798	30,008
Books and subscriptions	38,620	-	76,274	114,894	3,623	6,953	125,470	103,801
Food services	-	-	170,345	170,345	-	-	170,345	166,219
Meals and entertainment	16,987	-	-	16,987	1,820	4,453	23,260	6,790
Travel, meals and entertainment	41,675	181	19,651	61,507	39,048	82,384	182,939	111,866
Postage and shipping	1,742	250	98,432	100,424	4,660	51,944	157,028	123,057
Supplies	9,764	491	6,864	17,119	26,938	6,640	50,697	48,759
Service contracts	11,506	-	2,400	13,906	53,581	15,413	82,900	93,932
Facilities, repairs, and maintenance	224,338	21,011	131,512	376,861	109,383	4,913	491,157	438,186
Seminars, conferences and honoraria	60,232	-	10,501	70,733	12,154	38,147	121,034	64,941
Publications cost	-	-	384,464	384,464	-	-	384,464	414,893
Depreciation	289,129	19,668	159,625	468,422	59,245	-	527,667	534,566
	<u>\$ 1,831,023</u>	<u>\$ 133,726</u>	<u>\$ 1,452,615</u>	<u>\$ 3,417,364</u>	<u>\$ 1,213,181</u>	<u>\$ 632,121</u>	<u>\$ 5,262,666</u>	<u>\$ 4,659,388</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (612,576)	\$ 61,368
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	527,667	534,566
Realized and unrealized gain on investments	(75,410)	(465,414)
Bad debt expense, student services	25,884	24,522
Bad debt expense, bookstore	(761)	-
Bad debt expense, advancement	132,562	7,500
Contributions restricted for endowments	(217,759)	(579,230)
Gain on sale of asset held for sale	(335,842)	-
Actuarial change in value of annuity and life trust payable	10,051	(1,643)
Liability portion of matured annuity and life trust agreements	(96,992)	-
Changes in:		
Accounts receivable	(52,286)	40,391
Prepaid expenses	2,900	(1,786)
Inventory	58,259	32,725
Pledges receivable	58,541	(2,435)
Cash surrender value of life insurance	(1,533)	5,034
Accounts payable and accrued expenses	31,978	49,023
Deferred revenue	89,962	23,892
Net Cash Used By Operating Activities	(455,355)	(271,487)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(4,803,065)	(2,801,479)
Proceeds from maturity or sale of investments	4,871,438	2,573,400
Purchase of property and equipment	(316,533)	(198,663)
Proceeds from sale of asset held for sale	533,683	-
Net Cash Provided (Used) By Investing Activities	285,523	(426,742)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowments	217,759	579,230
Payments to annuitants	(10,086)	(10,086)
Net Cash Provided By Financing Activities	207,673	569,144
Change in Cash and Cash Equivalents	37,841	(129,085)
Cash and Cash Equivalents, Beginning of Year	4,043	133,128
Cash and Cash Equivalents, End of Year	\$ 41,884	\$ 4,043
SUPPLEMENTAL INFORMATION:		
Cash paid for interest—none capitalized	\$ -	\$ 190

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

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 (including student housing and food service income and seminary press and bookstore sales).

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 is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Seminary is subject to federal income tax on any unrelated business income. In addition, the Seminary has not been classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

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's cash balances did not exceed federally insured limits for the years ended June 30, 2019 and 2018. The Seminary has not experienced any loss on these accounts and does not believe that it is exposed to any 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE, continued

Accounts receivable balances are as follows:

	June 30,	
	2019	2018
Student tuition receivable	\$ 163,273	\$ 119,352
Bookstore receivable	116,009	115,889
	279,282	235,241
Less: Allowance for uncollectible student tuition receivables	(87,798)	(70,159)
Less: Allowance for uncollectible bookstore receivables	(16,403)	(17,164)
	<u>\$ 175,081</u>	<u>\$ 147,918</u>

INVENTORY

The Seminary's bookstore inventory consists primarily of publications and is stated at the lower of cost or net realizable value utilizing 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, using a risk adjusted discount rate of 3%. An allowance for uncollectible pledges receivable is provided based upon managements judgement, including such factors as prior collection history, type of contribution and nature of fundraising activity.

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, 2019, assets held for sale consists of one residential property owned by the Seminary. The carrying amount of this property is \$45,444. During the year ended June 30, 2019, the Seminary closed on the sale of another residential property. The gain on sale amounted to approximately \$336,000 and is presented as a component of other income in the statements of activities.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD FOR SALE, continued

As of June 30, 2018, assets held for sale consisted of two residential properties owned by the Seminary, whose carrying amounts were \$197,841 and \$31,391, for the year ended June 30, 2018.

INVESTMENTS

Investments comprise cash held in brokerage accounts, money market funds, marketable debt and equity securities, and are reported at fair value. Donated investments are 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, dividends and interest, net of fees, are included in endowment and investment income without donor restrictions in the statements of activities unless a donor restriction or state law restricts their use. 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 financial statements.

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 net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

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, equipment and vehicles	5 to 10 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 the years ended June 30, 2019 and 2018.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ANNUITY AND LIFE TRUST PAYABLE

The Seminary has entered into several charitable gift annuity and charitable remainder unitrust agreements 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. The Seminary revalues the liability based on applicable mortality tables and discount rates, which vary from 7.0% to 8.0%. Annuity and life trust distributions amounted to \$10,086 for both years ended June 30, 2019 and 2018, respectively.

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. 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; and 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 years ended June 30, 2019 and 2018.

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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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:

Net assets without donor restrictions are those which 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.

Net assets with donor restrictions are those contributed with donor stipulations for specific purposes or those with time restrictions. Expirations of 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.

Net assets with donor restrictions are also those that are subject to donor-imposed restrictions that will never lapse, thus requiring the funds to be held in perpetuity. 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, SUPPORT AND EXPENSES

Revenues are recognized when earned. 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. The Seminary reports gifts of cash and other assets (including gifts of property and equipment) are recorded at their fair values at the date of donation 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Absent explicit donor stipulations about how gifts of property and equipment must be maintained, the Seminary reports expirations of donor restrictions when the donated or acquired property and equipment are placed in service. Gains and losses on investments and other assets or liabilities are recognized in the period earned or incurred and are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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 years ended June 30, 2019 and 2018.

During the year ended June 30, 2019, three donors made contributions to the Seminary totaling approximately 20% of contribution and grant revenue and 8% of total revenue and support. During the year ended June 30, 2018, one donor made contributions to the Seminary totaling approximately 25% of contribution and grant revenue and 11% of total revenue and support.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, SUPPORT AND EXPENSES, continued

Expenses are recognized in the period incurred and are reported as decreases in net assets without donor restrictions. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program, general and administrative and fundraising on the basis of periodic time and expense studies. General and administrative and fundraising 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. The categories of expenses that are allocated include salaries and benefits, depreciation, and facilities repairs and maintenance. The Seminary incurred no joint costs for the years ended June 30, 2019 and 2018.

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Seminary adopted the provisions of this new standard during the year ended June 30, 2019. Significant changes include:

- Temporarily restricted and permanently restricted net asset classes are now referred to as net assets with donor restrictions.
- Unrestricted net asset class is now referred to as net assets without donor restrictions.
- Statements of functional expenses by functional and natural classification were added.
- Disclosures related to functional allocation of expenses were expanded.
- The financial statements include a new disclosure regarding liquidity and the availability of resources.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods and services. ASU 2014-09 defines a five-step process to achieve this and, in doing so, more judgement and estimates may be required within the revenue recognition process than are required under existing GAAP. The standard is effective for annual periods beginning after December 31, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Seminary is currently evaluating the impact of its pending adoption of ASU 2014-09 on the financial statements and has not yet determined the method by which the Seminary will adopt the standard for the fiscal year ending June 30, 2020.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Seminary's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for specific purposes.

Financial assets:

Cash and cash equivalents	\$ 41,884
Accounts receivable, net	175,081
Pledges receivable, net	51,374
Investments	12,523,280
Cash surrender value of life insurance	181,970
Financial assets, at year end	<u>12,973,589</u>

Less those unavailable for general expenditure within one year, due to:

Cash surrender value of life insurance not expected to be converted within one year	(181,970)
Pledges receivable expected to be collected beyond one year	(53,076)
Perpetual and board designated endowments and accumulated earnings, net of underwater endowments and internal borrowing from endowments	<u>(12,470,707)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 267,836</u>
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In addition to tuition, fees, and auxiliary enterprises, the Seminary is substantially supported by contributions without and with donor restrictions. Those contributions with donor restriction require resources to be used in a particular manner or in a future period. The Seminary must maintain sufficient resources to meet those responsibilities to its donors. Thus, at times financial assets may not be available for general expenditure within one year. The Seminary has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

4. PLEDGES RECEIVABLE:

Pledges receivable consist of the following:

	June 30,	
	2019	2018
Due in less than one year	\$ 28,202	\$ 122,978
Due in one to five years	53,076	100,950
Due in more than five years	-	64,000
	81,278	287,928
Less: allowance for uncollectible pledges	(25,108)	(23,667)
Less: unamortized discount	(4,796)	(21,784)
	<u>\$ 51,374</u>	<u>\$ 242,477</u>

5. INVESTMENTS:

Investments consist of the following:

	June 30,	
	2019	2018
Cash and money market funds	\$ 322,320	\$ 714,850
Equity securities	2,414,144	2,295,719
Mutual funds	4,212,785	4,195,918
Exchange traded funds	5,129,031	4,812,257
Government and agency bonds	-	25,164
Other investments	445,000	472,335
	<u>\$ 12,523,280</u>	<u>\$ 12,516,243</u>

Endowment and investment income consists of the following:

	Year Ended June 30,	
	2019	2018
Interest and dividends	\$ 439,506	\$ 331,744
Realized gains	67,921	336,987
Unrealized gains	7,489	128,427
Investment fees	(32,994)	(73,499)
	<u>\$ 481,922</u>	<u>\$ 723,659</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

6. 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 for the years ended June 30, 2019 and 2018:

	June 30, 2019			
	Fair Value Disclosure			
	Total	Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds held in				
brokerage accounts	\$ 284,201	\$ 284,201	\$ -	\$ -
Equity securities	2,414,144	2,414,144	-	-
Mutual funds	4,212,785	4,212,785	-	-
Exchange traded funds	5,129,031	5,129,031	-	-
	<u>12,040,161</u>	<u>12,040,161</u>	<u>-</u>	<u>-</u>
Investments measured at net asset value:				
Limited partnership	445,000	-	-	-
	<u>12,485,161</u>	<u>\$ 12,040,161</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents in				
brokerage accounts held at cost	<u>38,119</u>			
	<u>\$ 12,523,280</u>			

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, 2019:

<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>\$ 445,000</u>	3.5 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, 2019 and 2018

6. FAIR VALUE MEASUREMENTS, continued:

	June 30, 2018			
	Total	Fair Value Disclosure		
		Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds held in				
brokerage accounts	\$ 675,751	\$ 675,751	\$ -	\$ -
Equity securities	2,295,719	2,295,719	-	-
Mutual funds	4,195,918	4,195,918	-	-
Exchange traded funds	4,812,257	4,812,257	-	-
Government and agency bonds	25,164	25,164	-	-
	<u>12,004,809</u>	<u>12,004,809</u>	<u>-</u>	<u>-</u>
Investments measured at net asset value:				
Limited partnership	472,335	-	-	-
	<u>12,477,144</u>	<u>\$ 12,004,809</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents in				
brokerage accounts held at cost	<u>39,099</u>			
	<u>\$ 12,516,243</u>			

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, 2018:

<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>\$ 472,335</u>	4.5 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, 2019 and 2018

7. PROPERTY AND EQUIPMENT:

Property and equipment are summarized as follows:

	June 30,	
	2019	2018
Land	\$ 698,340	\$ 698,340
Land improvements	649,602	649,602
Building and improvements	19,463,649	19,180,469
Library books and media	1,394,074	1,380,350
Furniture and equipment	886,964	881,388
Vehicles	61,694	61,694
	<u>23,154,323</u>	<u>22,851,843</u>
Less: accumulated depreciation	<u>(12,308,809)</u>	<u>(11,781,142)</u>
	<u>\$ 10,845,514</u>	<u>\$ 11,070,701</u>

Depreciation expense for the years ended June 30, 2019 and 2018, amounted to \$527,667 and \$534,566, respectively.

8. 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, 2019 and 2018.

The Seminary was also required to obtain a letter of credit in an amount up to \$69,704 from a bank related to its participation in federal student financial aid programs. The letter of credit expires on April 15, 2020.

9. NET ASSETS:

Net assets consist of:

	June 30,	
	2019	2018
Net assets without donor restrictions:		
Undesignated	\$ 7,086,455	\$ 7,758,898
Board designated for endowment	951,227	1,106,317
Total net assets without donor restrictions	<u>8,037,682</u>	<u>8,865,215</u>
Net assets with donor restrictions:		
Subject to expenditure for a specified time or purpose:		
Scholarship and student aid funds	225,245	116,651
Other restricted purposes	35,507	81,216
Pledges receivable, net	51,374	242,477
	<u>312,126</u>	<u>440,344</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

9. NET ASSETS, continued:

	June 30,	
	2019	2018
Subject to the Seminary's endowment spending policy and appropriation:		
Accumulated gains (losses) on endowment assets	3,217,317	3,091,901
Endowment funds restricted in perpetuity	12,491,675	12,273,916
	<u>15,708,992</u>	<u>15,365,817</u>
 Total net assets with donor restrictions	 <u>16,021,118</u>	 <u>15,806,161</u>
 Total net assets	 <u>\$ 24,058,800</u>	 <u>\$ 24,671,376</u>

Net assets released from restrictions consists of the following:

	Year Ended June 30,	
	2019	2018
Purpose and time restrictions:		
Scholarship and student aid funds	\$ 321,768	\$ 191,181
Endowment appropriations for expenditure	366,685	382,494
Other restricted purposes	63,035	198,075
Pledges receivable, net	<u>191,103</u>	<u>65,736</u>
	<u>\$ 942,591</u>	<u>\$ 837,486</u>

10. 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 net assets with donor restrictions or net assets without donor restrictions, 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 net assets with donor restrictions required to be held in perpetuity (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 net assets with donor restrictions required to be held in perpetuity is classified as net assets with donor restrictions subject to the Seminary's spending policy and appropriation until those amounts are appropriated for expenditure by the Seminary.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

10. ENDOWMENT FUNDS, continued:

The Seminary 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 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. 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.

Endowment net assets by type of fund as of June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Board-designated funds	\$ 951,227	\$ -	\$ -	\$ -	\$ 951,227
Donor-restricted funds	-	12,491,675	3,217,317	15,708,992	15,708,992
	<u>\$ 951,227</u>	<u>\$ 12,491,675</u>	<u>\$ 3,217,317</u>	<u>\$ 15,708,992</u>	<u>\$ 16,660,219</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

10. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other		
Endowment net assets - beginning of year	\$ 1,106,317	\$ 12,273,916	\$ 3,091,901	\$ 15,365,817	\$ 16,472,134
Contributions	100,000	217,759	44,934	262,693	362,693
Investment return, net	32,314	-	447,167	447,167	479,481
Amounts appropriated for expenditure	(287,404)	-	(366,685)	(366,685)	(654,089)
	<u>(155,090)</u>	<u>217,759</u>	<u>125,416</u>	<u>343,175</u>	<u>188,085</u>
Endowment net assets - end of year	<u>\$ 951,227</u>	<u>\$ 12,491,675</u>	<u>\$ 3,217,317</u>	<u>\$ 15,708,992</u>	<u>\$ 16,660,219</u>

Endowment net assets by type of fund as of June 30, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	Total Funds
		Original Gift Amount	Accumulated Gains (Losses) and Other		
Board-designated funds	\$ 1,106,317	\$ -	\$ -	\$ -	\$ 1,106,317
Donor-restricted funds	<u>-</u>	<u>12,273,916</u>	<u>3,091,901</u>	<u>15,365,817</u>	<u>15,365,817</u>
	<u>\$ 1,106,317</u>	<u>\$ 12,273,916</u>	<u>\$ 3,091,901</u>	<u>\$ 15,365,817</u>	<u>\$ 16,472,134</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

10. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	Total Funds
Endowment net assets - beginning of year	\$ 1,120,678	\$ 11,694,686	\$ 2,776,901	\$ 14,471,587	\$ 15,592,265
Contributions	-	579,230	27,325	606,555	606,555
Investment return, net	51,610	-	670,169	670,169	721,779
Amounts appropriated for expenditure	(65,971)	-	(382,494)	(382,494)	(448,465)
	<u>(14,361)</u>	<u>579,230</u>	<u>315,000</u>	<u>894,230</u>	<u>879,869</u>
Endowment net assets - end of year	<u>\$ 1,106,317</u>	<u>\$ 12,273,916</u>	<u>\$ 3,091,901</u>	<u>\$ 15,365,817</u>	<u>\$ 16,472,134</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, 2019 and 2018, there were 44 and 39, respectively, 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 \$1,107,769 and \$908,550, respectively. The primary reason for the deficits is internal borrowing by the Seminary from endowment assets to fund debt repayment and prior year operating deficits.

The effect of internal borrowing on total endowment assets, including both board-designated funds and donor-restricted funds is as follows:

	June 30,	
	2019	2018
Endowment net assets	\$ 16,660,219	\$ 16,472,134
Less: cumulative internal borrowing from endowments for:		
Debt repayment	(2,639,503)	(2,639,503)
Operating deficits	<u>(1,550,009)</u>	<u>(1,176,160)</u>
Endowment assets available	<u>\$ 12,470,707</u>	<u>\$ 12,656,471</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

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 contributions to the Plan, was \$104,897 and \$99,540 for the years ended June 30, 2019 and 2018, respectively. The contribution made by the Seminary represented approximately 4.1% and 4.0% for the years ended June 30, 2019 and 2018, respectively, 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.

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, 2018. 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 during the Plan year are as follows:

	FEIN	2018	2017
Orthodox Church in America Pension Plan	06-1455789	\$ 2,567,215	\$ 2,465,474

As of the Plan years ending December 31, 2018 and 2017, the Plan's total net assets available for benefits were \$22,589,895 and \$25,879,380, respectively, and the actuarial present value of accumulated Plan benefits was \$52,989,527 and \$50,971,156, respectively. As of both Plan years ending December 31, 2018 and 2017, the Plan was less than 65% funded.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2019 and 2018

12. RELATED PARTY TRANSACTIONS:

Members of the board of trustees contributed approximately \$342,000 and \$455,000 to the Seminary during the years ended June 30, 2019 and 2018, respectively. These contributions represent 18% and 21% of total contributions for the years ended June 30, 2019 and 2018, respectively.

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 14, 2019, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2018 and 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 statements of financial position as of June 30, 2018 and 2017, 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 St. Vladimir's Orthodox Theological Seminary as of June 30, 2018 and 2017, 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.



New York, New York
November 5, 2018

1330 Avenue of the Americas, Suite 23A
New York, NY 10019
212.653.0681
capincrouse.com

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 4,043	\$ 133,128
Accounts receivable, net	147,918	212,831
Prepaid expenses	32,082	30,296
Inventory	842,236	874,961
Pledges receivable, net	242,477	247,542
Assets held for sale	229,232	161,950
Investments	12,516,243	11,822,750
Cash surrender value of life insurance	180,437	185,471
Property and equipment-net	11,070,701	11,473,886
Total Assets	\$ 25,265,369	\$ 25,142,815
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 375,154	\$ 326,131
Deferred revenue	119,298	95,406
Annuity and life trust payable	99,541	111,270
Total liabilities	593,993	532,807
Net assets:		
Unrestricted:		
Net investment in property and equipment	11,070,701	11,473,886
Board designated quasi-endowments	1,106,317	1,120,678
Undesignated (deficit)	(3,311,803)	(2,889,521)
Total unrestricted	8,865,215	9,705,043
Temporarily restricted	3,532,245	3,210,279
Permanently restricted	12,273,916	11,694,686
Total net assets	24,671,376	24,610,008
Total Liabilities and Net Assets	\$ 25,265,369	\$ 25,142,815

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Activities

	Year Ended June 30,							
	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS:								
Tuition and fees	\$ 824,764	\$ -	\$ -	\$ 824,764	\$ 801,889	\$ -	\$ -	\$ 801,889
Less: scholarships and financial aid	(562,447)	-	-	(562,447)	(464,047)	-	-	(464,047)
Net tuition and fees	262,317	-	-	262,317	337,842	-	-	337,842
Contributions and grants	1,078,925	489,283	579,230	2,147,438	2,077,428	479,120	504,000	3,060,548
Endowment and investment income, net	53,490	670,169	-	723,659	170,135	1,249,569	-	1,419,704
Auxiliary enterprises	1,546,864	-	-	1,546,864	1,401,225	-	-	1,401,225
Other income	40,478	-	-	40,478	54,500	-	-	54,500
Total revenue and support	2,982,074	1,159,452	579,230	4,720,756	4,041,130	1,728,689	504,000	6,273,819
Net assets released from restrictions	837,486	(837,486)	-	-	460,046	(460,046)	-	-
Total Revenue, Support, and Reclassifications	3,819,560	321,966	579,230	4,720,756	4,501,176	1,268,643	504,000	6,273,819
EXPENSES:								
Instruction	769,128	-	-	769,128	734,473	-	-	734,473
Public service	76,436	-	-	76,436	70,363	-	-	70,363
Library	164,474	-	-	164,474	173,696	-	-	173,696
Student services	100,191	-	-	100,191	69,633	-	-	69,633
Theological research publications	35,509	-	-	35,509	19,788	-	-	19,788
Operation and maintenance of plant	622,239	-	-	622,239	624,783	-	-	624,783
General institutional expense	1,319,198	-	-	1,319,198	1,321,287	-	-	1,321,287
Auxiliary enterprises	1,037,647	-	-	1,037,647	1,041,548	-	-	1,041,548
Depreciation	534,566	-	-	534,566	657,516	-	-	657,516
Total Expenses	4,659,388	-	-	4,659,388	4,713,087	-	-	4,713,087
Change in Net Assets	(839,828)	321,966	579,230	61,368	(211,911)	1,268,643	504,000	1,560,732
Net Assets, Beginning of Year:	9,705,043	3,210,279	11,694,686	24,610,008	9,916,954	1,941,636	11,190,686	23,049,276
Net Assets, End of Year	\$ 8,865,215	\$ 3,532,245	\$ 12,273,916	\$ 24,671,376	\$ 9,705,043	\$ 3,210,279	\$ 11,694,686	\$ 24,610,008

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statements of Cash Flows

	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 61,368	\$ 1,560,732
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	534,566	657,516
Realized and unrealized gain on investments	(465,414)	(1,170,500)
Bad debt expense, student services	24,522	-
Bad debt expense, bookstore	-	12,950
Bad debt expense, advancement	7,500	10,000
Contributions restricted for endowments	(579,230)	(504,000)
Changes in:		
Accounts receivable	40,391	(19,753)
Prepaid expenses	(1,786)	(17,795)
Inventory	32,725	496
Pledges receivable	(2,435)	(143,421)
Cash surrender value of life insurance	5,034	(11,794)
Accounts payable and accrued expenses	49,023	(15,204)
Deferred revenue	23,892	(53,225)
Annuity and life trust payable	(1,643)	3,849
Net Cash Provided (Used) By Operating Activities	<u>(271,487)</u>	<u>309,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,801,479)	(11,919,234)
Proceeds from maturity or sale of investments	2,573,400	13,742,606
Purchase of property and equipment	(198,663)	(32,654)
Net Cash Provided (Used) By Investing Activities	<u>(426,742)</u>	<u>1,790,718</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowments	579,230	504,000
Payments to annuitants	(10,086)	(20,641)
Proceeds from new debt	-	31,628
Repayment of debt principal	-	(2,488,237)
Net Cash Provided (Used) By Financing Activities	<u>569,144</u>	<u>(1,973,250)</u>
Change in Cash and Cash Equivalents	(129,085)	127,319
Cash and Cash Equivalents, Beginning of Year	<u>133,128</u>	<u>5,809</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,043</u>	<u>\$ 133,128</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest—none capitalized	<u>\$ 190</u>	<u>\$ 14,785</u>

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 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 is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Seminary is subject to federal income tax on any unrelated business income. In addition, the Seminary has not been classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

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's cash balances did not exceed federally insured limits for the years ended June 30, 2018 and 2017. The Seminary has not experienced any loss on these accounts and does not believe that it is exposed to any 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE, continued

Accounts receivable balances are as follows:

	Year Ended June 30,	
	2018	2017
Student tuition receivable	\$ 119,352	\$ 163,505
Bookstore receivable	115,889	127,268
	235,241	290,773
Less: Allowance for uncollectible student tuition receivables	(70,159)	(50,565)
Less: Allowance for uncollectible bookstore receivables	(17,164)	(27,377)
	<u>\$ 147,918</u>	<u>\$ 212,831</u>

INVENTORY

The Seminary's bookstore inventory consists primarily of publications and is stated at the lower of cost or net realizable value utilizing 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, 2018 and 2017, assets held for sale consist of two residential properties owned by the Seminary. Carrying amounts of each property are \$197,841 and \$31,391, for the year ended June 30, 2018, and \$139,978 and \$21,972, for the year ended June 30, 2017.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments comprise money market funds, marketable debt and equity securities, 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. Donated investments are 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, dividends and interest, net of fees, 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. 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 financial statements.

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.

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, equipment and vehicles	5 to 10 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 the years ended June 30, 2018 and 2017.

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 7.0% to 8.0%. Annuity and life trust distributions amounted to \$10,086 and \$20,641 for the years ended June 30, 2018 and 2017, respectively.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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. 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; and 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 years ended June 30, 2018 and 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.

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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

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 recognized when earned. 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. 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 recognized in the period incurred and are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are recognized in the period earned or incurred and 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 years ended June 30, 2018 and 2017.

During the year ended June 30, 2018, one donor made contributions to the Seminary totaling approximately 25% of contribution and grant revenue and 11% of total revenue and support. During the year ended June 30, 2017, two donors made contributions to the Seminary totaling approximately 33% of contribution and grant revenue and 16% of total revenue and support.

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 requires inventory to be valued at the lower of cost or net realizable value. The impact of the adoption of this ASU was insignificant to the Seminary's financial statements.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

3. PLEDGES RECEIVABLE:

Pledges receivable consist of the following:

	June 30,	
	2018	2017
Due in less than one year	\$ 122,978	\$ 77,926
Due in one to five years	100,950	193,283
Due in more than five years	64,000	-
	<u>287,928</u>	<u>271,209</u>
Less: unamortized discount	<u>(45,451)</u>	<u>(23,667)</u>
	<u>\$ 242,477</u>	<u>\$ 247,542</u>

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:

	June 30,	
	2018	2017
Cash and money market funds	\$ 714,850	\$ 85,960
Equity securities	2,295,719	2,528,625
Mutual funds	4,195,918	4,195,932
Exchange traded funds	4,812,257	4,494,392
Government and agency bonds	25,164	25,801
Other investments	<u>472,335</u>	<u>492,040</u>
	<u>\$ 12,516,243</u>	<u>\$ 11,822,750</u>

Endowment and investment income consists of the following:

	June 30,	
	2018	2017
Interest and dividends	\$ 331,744	\$ 322,972
Realized gains	336,987	310,879
Unrealized gains	128,427	859,621
Investment fees	<u>(73,499)</u>	<u>(73,768)</u>
	<u>\$ 723,659</u>	<u>\$ 1,419,704</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 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 for the years ended June 30, 2018 and 2017:

	Year Ended June 30, 2018			
	Fair Value Disclosure			
	Total	Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds held in				
brokerage accounts	\$ 675,751	\$ 675,751	\$ -	\$ -
Equity securities	2,295,719	2,295,719	-	-
Mutual funds	4,195,918	4,195,918	-	-
Exchange traded funds	4,812,257	4,812,257	-	-
Government and agency bonds	25,164	25,164	-	-
	<u>12,004,809</u>	<u>12,004,809</u>	<u>-</u>	<u>-</u>
Investments measured at net asset value:				
Limited partnership	472,335	-	-	-
	<u>12,477,144</u>	<u>\$ 12,004,809</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents in				
brokerage accounts held at cost	<u>39,099</u>			
	<u>\$ 12,516,243</u>			

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, 2018:

<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>\$ 472,335</u>	4.5 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, 2018 and 2017

5. FAIR VALUE MEASUREMENTS, continued:

		Year Ended June 30, 2017		
		Fair Value Disclosure		
	Total	Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds held in				
brokerage accounts	\$ 67,812	\$ 67,812	\$ -	\$ -
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	-	-
	<u>11,312,562</u>	<u>11,312,562</u>	<u>-</u>	<u>-</u>
Investments measured at net asset value:				
Limited partnership	492,040	-	-	-
	<u>11,804,602</u>	<u>\$ 11,312,562</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents in				
brokerage accounts held at cost	<u>18,148</u>			
	<u>\$ 11,822,750</u>			

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, 2018 and 2017

6. PROPERTY AND EQUIPMENT:

Property and equipment are summarized as follows:

	June 30,	
	2018	2017
Land	\$ 698,340	\$ 698,340
Land improvements	649,602	649,602
Building and improvements	19,180,469	19,067,836
Library books and media	1,380,350	1,366,626
Furniture and equipment	881,388	876,362
Vehicles	61,694	61,695
	22,851,843	22,720,461
Less: accumulated depreciation	(11,781,142)	(11,246,575)
	<u>\$ 11,070,701</u>	<u>\$ 11,473,886</u>

Depreciation expense for the years ended June 30, 2018 and 2017, amounted to \$534,566 and \$657,516, respectively.

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, 2018 and 2017.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	June 30,	
	2018	2017
Purpose restrictions:		
Scholarship and student aid funds	\$ 116,651	\$ 64,207
Unappropriated endowment earnings, restricted for scholarships, student aid, general operations and other purposes	3,091,901	2,776,901
Other restricted purposes	81,216	121,629
	3,289,768	2,962,737
Time restrictions:		
Pledges receivable, net	242,477	247,542
	<u>\$ 3,532,245</u>	<u>\$ 3,210,279</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

8. TEMPORARILY RESTRICTED NET ASSETS, continued:

Release from restrictions consists of the following:

	June 30,	
	2018	2017
Purpose and time restrictions:		
Scholarship and student aid funds	\$ 191,181	\$ 121,508
Endowment appropriations for expenditure	382,494	338,538
Other restricted purposes	263,811	-
	<u>\$ 837,486</u>	<u>\$ 460,046</u>

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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

9. ENDOWMENT FUNDS, 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 Seminary's interpretation of State law.

Endowment net assets by type of fund as of June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 3,091,901	\$ 12,273,916	\$ 15,365,817
Board-designated quasi-endowment funds	1,106,317	-	-	1,106,317
	<u>\$ 1,106,317</u>	<u>\$ 3,091,901</u>	<u>\$ 12,273,916</u>	<u>\$ 16,472,134</u>

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 1,120,678	\$ 2,776,901	\$ 11,694,686	\$ 15,592,265
Contributions	-	27,325	579,230	606,555
Investment income, net	51,610	670,169	-	721,779
Appropriations from donor-designated endowment funds	-	(382,494)	-	(382,494)
Appropriations from board-designated quasi-endowment funds	(65,971)	-	-	(65,971)
	<u>(14,361)</u>	<u>315,000</u>	<u>579,230</u>	<u>879,869</u>
Endowment net assets - end of year	<u>\$ 1,106,317</u>	<u>\$ 3,091,901</u>	<u>\$ 12,273,916</u>	<u>\$ 16,472,134</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 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, 2018 and 2017, there were 39 and 35, respectively, 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 \$908,550 and \$894,111, respectively. The primary reason for the deficits is internal borrowing by the Seminary from endowment assets to fund debt repayment and prior years operating deficits.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

9. ENDOWMENT FUNDS, continued:

FUNDS WITH DEFICIENCIES, continued

The effect of internal borrowing on endowment assets is as follows:

	Year Ended June 30,	
	2018	2017
Endowment net assets	\$ 16,472,134	\$ 15,592,265
Less: cumulative internal borrowing from endowments for:		
Debt repayment	(2,639,503)	(2,639,503)
Operating deficits	(1,365,993)	(1,176,160)
Fair value of endowment assets	<u>\$ 12,466,638</u>	<u>\$ 11,776,602</u>

10. FUNCTIONAL ALLOCATION OF EXPENSES:

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

	June 30,	
	2018	2017
Program services:		
Instruction	\$ 1,059,027	\$ 1,061,268
Public service	127,348	126,172
Library	428,679	470,164
Student services	151,452	127,386
Theological research publications	35,859	20,778
Auxiliary enterprises	1,383,881	1,428,478
	<u>3,186,246</u>	<u>3,234,246</u>
Supporting services:		
General institutional	974,832	994,952
Development and communications	498,310	483,889
	<u>1,473,142</u>	<u>1,478,841</u>
Total expenses	<u>\$ 4,659,388</u>	<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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Notes to Financial Statements

June 30, 2018 and 2017

11. MULTIPLE EMPLOYER PENSION PLAN, continued:

The risks of participating in this multi-employer plan differ from single-employer plans in the following

- 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 contributions to the Plan, was \$99,540 and \$108,969 for the years ended June 30, 2018 and 2017, respectively. The contribution made by the Seminary represented approximately 4.0% and 4.6% for the years ended June 30, 2018 and 2017, respectively, 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.

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, 2017. 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 during the plan year are as follows:

Pension fund:	FEIN	2017	2016
Orthodox Church in America Pension Plan	06-1455789	<u>\$ 2,465,474</u>	<u>\$ 2,353,912</u>

As of the Plan years ending December 31, 2017 and 2016, the Plan's total net assets available for benefits were \$25,879,380 and \$23,698,253, respectively, and the actuarial present value of accumulated Plan benefits was \$50,971,156 and \$49,211,285, respectively. As of both Plan years ending December 31, 2017 and 2016, the Plan was less than 65% funded.

12. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 5, 2018, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Orthodox Church in America Pension Plan

Financial Statements and
Supplementary Information

December 31, 2020 and 2019

Orthodox Church in America Pension Plan

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Independent Auditors' Report

To the Pension Board of the
Orthodox Church in America Pension Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Orthodox Church in America Pension Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2020 and 2019, and the related statements of changes in net assets available for benefits for the years ended December 31, 2020 and 2019, 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 Plan'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 Plan'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 net assets available for benefits of the Plan as of December 31, 2020 and 2019, and the changes in net assets available for benefits 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 supplemental schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly US, LLP

Melville, New York
October 28, 2021

Orthodox Church in America Pension Plan

Statements of Net Assets Available for Benefits

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Investments at fair value:		
Equities	\$ 15,597,757	\$ 13,738,562
Mutual funds	7,063,003	7,409,565
Hedge funds	670,634	1,016,016
Money market funds	430,881	493,883
Exchange traded funds	687,921	22,630
Corporate bonds	319,109	596,366
Government bonds	570,249	1,102,483
Limited partnership	987,124	578,142
	<u>26,326,678</u>	<u>24,957,647</u>
Total investments		
	<u>26,326,678</u>	<u>24,957,647</u>
Receivables:		
Employer contributions	111,668	132,235
Employee contributions	82,963	97,624
Voluntary employee contributions	7,637	10,070
Other receivable	1,048	750
Accrued interest receivable	5,375	13,130
	<u>208,691</u>	<u>253,809</u>
Total receivables		
	<u>208,691</u>	<u>253,809</u>
Cash	364,711	401,734
	<u>364,711</u>	<u>401,734</u>
Securities receivable from broker	5,346	5,941
	<u>5,346</u>	<u>5,941</u>
Total assets	<u>26,905,426</u>	<u>25,619,131</u>
Liabilities		
Accounts payable and accrued expenses	17,764	57,300
	<u>17,764</u>	<u>57,300</u>
Total liabilities	<u>17,764</u>	<u>57,300</u>
Net assets available for benefits	<u>\$ 26,887,662</u>	<u>\$ 25,561,831</u>

See notes to financial statements

Orthodox Church in America Pension Plan

Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Additions		
Investment income:		
Interest income	\$ 38,622	\$ 36,681
Dividend income	444,384	517,287
Net appreciation in fair value of investments	2,695,723	3,997,025
Less investment advisory fees	<u>(210,659)</u>	<u>(211,422)</u>
Total net investment income	<u>2,968,070</u>	<u>4,339,571</u>
Contributions:		
Employee contributions	1,081,395	1,077,099
Employer contributions	1,462,472	1,449,184
Voluntary employee contributions	<u>129,113</u>	<u>116,251</u>
Total contributions	<u>2,672,980</u>	<u>2,642,534</u>
Total additions	<u>5,641,050</u>	<u>6,982,105</u>
Deductions		
Benefits paid:		
Normal monthly benefits	(3,823,405)	(3,513,496)
Return of member contributions	(65,413)	(32,483)
Return of voluntary contributions	(28,274)	(66,493)
Return of interest	<u>(8,256)</u>	<u>(43,326)</u>
Total benefits paid	(3,925,348)	(3,655,798)
Administrative expenses	<u>(389,871)</u>	<u>(354,371)</u>
Total deductions	<u>(4,315,219)</u>	<u>(4,010,169)</u>
Net increase	1,325,831	2,971,936
Net Assets Available for Benefits		
Beginning of year	<u>25,561,831</u>	<u>22,589,895</u>
End of year	<u><u>\$ 26,887,662</u></u>	<u><u>\$ 25,561,831</u></u>

See notes to financial statements

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

1. Description of the Plan

The following description of the Orthodox Church in America Pension Plan (the Plan) is provided for general informational purposes only. The Plan is a nonelecting church plan, which means that the Plan's sponsor has not elected to be covered by the terms of the Employee Retirement Income Security Act of 1974 (ERISA). Participants should refer to the plan agreement for more complete information.

General

The Plan is a defined benefit pension plan covering all clergy and full time lay employees of the Orthodox Church in America (the Church) including organizations under the Church's jurisdiction. The Plan allows for voluntary contributions by members.

The Orthodox Church in America Pension Board (the Pension Board) has overall responsibility for the operation and administration of the Plan and determines the appropriateness of the Plan's investment offerings and monitors investment performance.

Funding Policy

As a condition of participation, members are required to contribute 6 percent of their pensionable compensation (including housing allowance for clergy) to the Plan, and the Church contributes 8 percent monthly of the employee's pensionable compensation (including housing allowance for clergy) to the Plan. As of January 1, 2021, the Church contribution increased to 10 percent monthly. The Plan's funding policy is to have each employer make monthly contributions to the Plan in amounts that are estimated to remain a constant percentage of members' compensation each year, such that, when combined with members' contributions, all members' benefits will be fully provided for by the time they retire. Certain lay employees of St. Vladimir's Seminary who are required to live on its campus contribute based also on their housing allowances.

Per the plan document, a valuation of the Plan shall be made 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 most recent full valuation was January 1, 2019. The contributions by members and churches needed to support the Plan can be changed based on the result of these valuations. Any changes based on the results of an actuarial valuation require a plan amendment.

Pension Benefits

From July 1, 2002 to December 31, 2009, members with 15 or more years of membership service were entitled to annual pension benefits beginning at normal retirement age (65) equal to 65 percent of their highest consecutive five year average annual compensation for each year of service. In addition, effective after December 31, 2005, the monthly normal retirement pension of a member was increased in an amount equal to 2 percent of the members' average monthly housing allowance for each year of participation service after December 31, 2005.

Effective January 1, 2010, the Plan's benefit formula was changed for active participants under the age of 65 (participants over the age of 65 as of January 1, 2010 will continue to accrue under the old Plan). Active participants earn 2 percent of pensionable compensation for every month of participation after 2009. The benefit is subject to a minimum benefit, which was determined as of December 31, 2009 under the old plan benefit. Also, effective January 1, 2010, the interest rate on contributions was changed from 6.0 percent a year compounded monthly to the October Mid-Term Rate of the prior year (1.50 percent for 2020 and 2019).

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

The Plan does not expressly provide an early retirement benefit. Upon termination of employment before normal retirement, a member who has earned at least five years of membership service may have a right to a retirement benefit upon reaching his normal retirement date. Upon retirement, members may elect to receive their pension benefit in the form of a joint and survivor annuity. If members terminate employment before reaching their normal retirement date and before rendering 15 years of membership service, they forfeit the right to receive a portion of their accumulated plan benefits attributable to the Church's contributions. Members terminating service before reaching their normal retirement date may receive the value of their member contribution accounts and accumulated interest as a lump-sum distribution upon termination of employment, but if they do so, they forfeit any benefit arising from Church contributions. At the normal retirement age, members receive their benefits as a life annuity payable monthly from retirement. For each member electing a life annuity, payments will not be less than the equivalent actuarial value of the member's accumulated contributions plus interest.

Death Benefits and Disability Benefits

If a married member dies, the spouse's benefit is payable to the member's spouse. The benefit shall commence upon the death of the member and is payable for the life of the spouse. The amount of the benefit is determined based on the plan document.

Active members, who have completed five years of service and become totally disabled, receive monthly disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled, provided they are eligible for disability benefits under Title II of the Social Security Act.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance 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 changes therein, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

Administrative expenses are the responsibility of the Plan and are paid from the assets of the Plan. Expenses of the Plan are to be paid by the Church or the Plan if not paid by the Church. Expenses that are paid directly by the Church are excluded from these financial statements. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying Statements of Changes in Net Assets Available for Benefits.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received by the Plan to sell an asset or paid by the Plan to transfer a liability in an orderly transaction between market participants at the measurement date in the Plan's principal or most advantageous market for the asset or liability. The Pension Board determines the Plan's valuation policies utilizing information provided by the investment advisors. See Note 4 for a discussion of 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 Plan's gains and losses on investments bought and sold as well as held during the year.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service members have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated members or their beneficiaries, (b) beneficiaries of members who have died, and (c) present members or their beneficiaries. Benefits payable under all circumstances; retirement, death, disability, and termination of employment are included, to the extent they are deemed attributable to member service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from plan assets are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits is determined by an actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Cash

The Plan maintains its cash deposits in two banks. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for the noncontingent, ascertainable interest of each beneficiary per bank for each employee benefit plan account. Amounts in excess of the FDIC limits are uninsured. The Plan maintains deposits in excess of the FDIC insurance limit, from time to time, in the normal course of business. It is the Plan's policy to monitor the strength of the banks that hold its deposits on an ongoing basis.

Contributions Receivable

Contributions receivable are stated at the amount of employees and employer contributions outstanding at year-end that plan management reasonably expects to collect.

Allowance for Bad Debts

The Plan uses the allowance method to record bad debts. The Plan records an allowance for doubtful accounts against its outstanding contributions receivable, which is based on management's estimation of bad debts in the near term. As of December 31, 2020 and 2019, the Plan did not record an allowance for doubtful accounts against its contributions receivable balances, as they are considered fully collectible.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

Contributions and Participant Accounts

In addition to the required 6 percent contribution required by members (as described in the funding policy disclosure), members may contribute annually not less than 1 percent, nor more than 10 percent, of pretax annual compensation, as defined in the plan document, up to the maximum limits of the Internal Revenue Code (IRC), in voluntary contributions.

Each member's account is credited with the member's voluntary contributions (the Accumulated Voluntary Contribution Account). The full value of the Accumulated Voluntary Contribution Account represents the accumulated voluntary contributions made by the member, with interest credited thereon to the date benefit payments commence, as shall be determined by the Pension Board from time to time. Beginning January 1, 2010, the interest rate is the Federal Mid-Term Rate as published by the Internal Revenue Service (IRS) for October of the prior year, compounded monthly. Members do not direct the investment of their account balances. Members may withdraw from their Accumulated Voluntary Contribution Accounts at any time, once per year. At retirement, the balance of a member's Accumulated Voluntary Contribution Account can be withdrawn as a lump sum or converted to an annuity to enhance the member's monthly benefit.

Recent Accounting Standard

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*, which FASB finalized on August 28, 2018. ASU No. 2018-13 is effective for fiscal years beginning after December 15, 2019. Management has adopted the provisions of this new standard for the year ended December 31, 2020. This update was retrospectively applied.

Subsequent Events

The Plan has evaluated subsequent events for recognition or disclosure through October 28, 2021, the date the financial statements were available to be issued.

3. Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits as of January 1, 2021 and 2020 (December 31, 2020 and 2019), respectively, are as follows:

	2020	2019
Vested benefits:		
Members currently receiving payments	\$ 32,521,290	\$ 31,436,989
Other members	17,659,795	19,309,540
Total vested benefits	50,181,085	50,746,529
Nonvested benefit	3,826,679	3,934,343
Voluntary contributions from active and inactive members	1,079,099	967,519
Total actuarial present value of accumulated plan benefits	\$ 55,086,863	\$ 55,648,391

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

The changes in the present value of accumulated plan benefits based on actuarial valuations dated January 1, 2021 and 2020 (December 31, 2020 and 2019) are summarized as follows:

	<u>2020</u>	<u>2019</u>
Actuarial present value of accumulated plan benefits, beginning of year	\$ 55,648,391	\$ 52,989,527
Increases (decreases) during the year attributable to:		
For interest due to the decrease in discount period	3,760,380	3,583,478
Benefits accumulated	862,146	2,731,184
Benefits paid	(3,925,348)	(3,655,798)
Change in actuarial assumptions due to change in mortality	<u>(1,258,706)</u>	<u>-</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 55,086,863</u>	<u>\$ 55,648,391</u>

The significant actuarial assumptions used in the valuations as of December 31, 2020 and 2019 were as follows:

- *Long-term rate of return on assets* - 7.0 percent per annum in 2020 and 2019.
- *Mortality* – PRI-2012 Employee/Retiree Mortality Tables for males and females with Mortality Improvement Scale MP-2020 for 2020 and RP-2000 mortality tables projected with generational scale BB for male and females for 2019.
- *Withdrawal* - Assumed to occur gradually based on duration of service in 2020 and 2019.
- *Retirement age* - Assumed to occur gradually between 65 and 80, and with five years participation service in 2020 and 2019.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

4. 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 under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

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 observables and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2020 and 2019:

Equities - Valued at the closing price reported on the active markets on which the individual securities are traded.

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 valuation (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Hedge funds - Valued at the NAV, or unit value, of shares held by the Plan at year-end. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund, less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The Plan invests in Skybridge Multi-Adviser Hedge Fund Portfolios LLC (Skybridge), a hedge fund that employs various strategies with an objective to achieve capital appreciation. The NAV of this investment is determined as of the close of business at the end of each month in accordance with valuation principles set forth by policies established by the Skybridge hedge fund's board of directors and NAV as provided by the individual investment funds. The majority of underlying investments for Skybridge utilizes event driven and relative value strategies. Generally, this investment has a quarterly liquidity, subject to a 30 to 90 day notice period; however, other underlying investments have a current lock-up on liquidity greater than quarterly basis.

The Plan invests in Ironwood Institutional Multi-Strategy Fund (Ironwood), a hedge fund, whose investment objective is capital appreciation with limited variability of returns. This fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations. Each underlying fund is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value, market neutral, and low net equity; event driven; and distressed and credit securities. It is estimated that the board of directors of this fund will make an offer to repurchase units from members on a semi-annual basis on June 30 and December 31 each year. A 5 percent early repurchase fee is charged on repurchased units that have been held less than one year. The NAV of this fund is determined as of the close of business at the end of any fiscal period, generally monthly, in accordance with valuation principles outlined in each strategy or pursuant to strategies established by its board of directors.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

Money market funds - Valued at the deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

Exchange traded funds (ETFs) - Valued at the closing price reported on the active markets on which the individual ETFs are traded.

Government and 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. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Limited partnerships/Limited liability company - Valued at NAV as determined and reported by the partnerships/limited liability company (LLC) and represents the Plan's proportionate share of the estimated fair value of the underlying net assets of the limited partnership/LLC. The NAV, as provided by the limited partnership/LLC, is used as a practical expedient to estimate fair value.

- During the year ended December 31, 2015, the Plan entered into a partnership agreement with Cohesive Capital Partners II, L.P. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment is \$500,000. As of December 31, 2020 and 2019, \$428,918 and \$449,431 of capital (net of distributions), respectively, were contributed.
- During the year ended December 31, 2019, the Plan entered into a partnership agreement with Cohesive Capital Partners III, L.P. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment is \$500,000. As of December 31, 2020 and 2019, \$90,301 and \$3,980 of capital (net of distributions), respectively, was contributed.
- During the year ended December 31, 2019, the Plan entered into an agreement with CPG Vintage Access Fund II, LLC. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment is \$500,000. As of December 31, 2020 and 2019, \$195,000 and \$100,000 of capital (net of distributions), respectively, was contributed.
- During the year ended December 31, 2020, the Plan entered into an agreement with CPG Vintage Access III, LLC. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment is \$500,000. As of December 31, 2020, \$125,000 of capital (net of distributions), was contributed.
- During the year ended December 31, 2020, the Plan entered into an agreement with MS Direct Lending Fund, LLC. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment is \$500,000. As of December 31, 2020, \$104,956 of capital (net of distributions), was contributed.

Orthodox Church in America Pension Plan

Notes to Financial Statements
December 31, 2020 and 2019

The following table sets forth by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2020:

Assets at Fair Value as of December 31, 2020				
	Level 1	Level 2	Level 3	Total
Equities	\$ 15,597,757	\$ -	\$ -	\$ 15,597,757
Mutual funds	7,063,003	-	-	7,063,003
Money market funds	430,881	-	-	430,881
Exchange traded funds	687,921	-	-	687,921
Corporate bonds	-	319,109	-	319,109
Government bonds	-	570,249	-	570,249
Total assets in the fair value hierarchy	<u>\$ 23,779,562</u>	<u>\$ 889,358</u>	<u>\$ -</u>	24,668,920
Investments measured at net asset value (a):				
Limited partnership				987,124
Hedge funds				<u>670,634</u>
Total investments at fair value				<u>\$ 26,326,678</u>

The following table sets forth by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2019:

Assets at Fair Value as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Equities	\$ 13,738,562	\$ -	\$ -	\$ 13,738,562
Mutual funds	7,409,565	-	-	7,409,565
Money market funds	493,883	-	-	493,883
Exchange traded funds	22,630	-	-	22,630
Corporate bonds	-	596,366	-	596,366
Government bonds	-	1,102,483	-	1,102,483
Total assets in the fair value hierarchy	<u>\$ 21,664,640</u>	<u>\$ 1,698,849</u>	<u>\$ -</u>	23,363,489
Investments measured at net asset value (a):				
Limited partnership				578,142
Hedge funds				<u>1,016,016</u>
Total investments at fair value				<u>\$ 24,957,647</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Net Assets Available for Benefits.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

Investments Measured Using NAV per Share Practical Expedient

The following table summarizes investments measured at fair value based on NAV per share as of December 31, 2020 and 2019, respectively.

December 31, 2020				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Skybridge Multi-Adviser Hedge Fund Portfolios LLC	\$ 670,634	None	Quarterly	30 - 90 days
MS Direct Lending Fund	106,998	\$ 395,044	Not Eligible	N/A
Cohesive Capital Partners II, L.P.	450,012	\$ 71,082	Not Eligible	N/A
Cohesive Capital Partners III, L.P.	84,429	\$ 410,326	Not Eligible	N/A
CPG Vintage Access Fund II, LLC	219,460	\$ 305,000	Not Eligible	N/A
CPG Vintage Access Fund III, LLC	126,225	\$ 375,000	Not Eligible	N/A
December 31, 2019				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Skybridge Multi-Adviser Hedge Fund Portfolios LLC	\$ 757,015	None	Quarterly	30 - 90 days
Ironwood Institutional Multi-Strategy Fund	259,001	None	Semi-Annually	90 days
Cohesive Capital Partners II, L.P.	481,969	\$ 50,569	Not Eligible	N/A
Cohesive Capital Partners III, L.P.	-	\$ 496,020	Not Eligible	N/A
CPG Vintage Access Fund II, LLC	96,173	\$ 400,000	Not Eligible	N/A

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

5. Plan Termination

Although it has not expressed any intention to do so, the Church may terminate the Plan for any reason at any time. Because the Church has not elected to have the Plan become subject to the ERISA, the benefits promised by the Plan are not insured by the Pension Benefit Guaranty Corporation. In case of termination of the Plan, or in the event of discontinuance of contributions having the effect of such termination, the funds of the Plan shall be used for the exclusive benefit of members or their beneficiaries under the Plan as of the date of such termination or discontinuance of contributions having the effect of termination, except that any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation shall be returned to the Church. The Pension Board shall determine on the basis of actuarial valuation the share of the funds of the Plan allocable to each member and beneficiary in the following order:

- a) Each member, retired member and former member shall be entitled to a share equal to the reserve computed to be required for his contributions, including voluntary contributions, made to the Plan;
- b) Each retired member or his beneficiary in receipt of a pension, and each member not yet retired who has reached his normal retirement date shall be entitled to a share equal to the reserve computed to be required for his benefit credits;
- c) Each member who is not eligible for normal retirement but who has completed five years of participation service, and each former member who is eligible for a vested benefit but has not reached age 65, shall be entitled to a share equal to the reserve computed to be required for his benefit credits; and;
- d) Each other member shall be entitled to a share equal to the reserve computed to be required for his benefit credits. If the funds are insufficient to provide in full for the shares under paragraph First, each share there under shall be reduced pro rata; and if the funds are insufficient to provide in full for the shares under paragraphs Second, Third or Fourth after provision for all shares under previous paragraphs, each share under such paragraph Second, Third or Fourth shall be reduced pro rata.

6. Related Party

Prior to October 1, 2020, the Church paid for the wages and benefits of the two Plan employees and postage fees on behalf of the Plan, which are then reimbursed by the Plan on a monthly basis to the Church. Expenses recorded amounted to \$131,145 and \$113,359 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, \$0 and \$16,221, respectively, remain payable to the Church and are included within accounts payable and accrued expenses on the Statements of Net Assets Available for Benefits.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2020 and 2019

7. Tax Status

The IRS has determined and informed the Church by a letter dated September 19, 2017, that the Plan is designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. The plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

8. Concentrations and Risks and Uncertainties

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The Plan 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 participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Orthodox Church in America Pension Plan

Schedules of Administrative Expenses

Years Ended December 31, 2020 and 2019

	2020	2019
Actuarial services	\$ 57,682	\$ 80,152
Administrator	93,870	75,757
Legal fees	66,900	64,200
Bookkeeper	43,382	34,108
Audit and accounting fees	28,400	28,500
Trustee expenses	177	18,752
Insurance	14,704	13,289
Administrator health insurance	22,382	12,682
Benefit payment service	11,822	11,720
Computer and database	35,217	6,555
Office operations	2,188	4,115
Bank service charges	2,792	3,453
Postage	3,818	-
File storage and scanning	5,537	-
Other	1,000	1,088
	<u>389,871</u>	<u>354,371</u>
Total administrative expenses	\$ <u>389,871</u>	\$ <u>354,371</u>

Orthodox Church in America Pension Plan

Financial Statements and
Supplementary Information

December 31, 2019 and 2018

Orthodox Church in America Pension Plan

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Independent Auditors' Report

To the Pension Board of the
Orthodox Church in America Pension Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Orthodox Church in America Pension Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statements of changes in net assets available for benefits for the years ended December 31, 2019 and 2018, 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 Plan'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 Plan'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 net assets available for benefits of the Plan as of December 31, 2019 and 2018, and the changes in net assets available for benefits 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 supplemental schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Melville, New York
July 28, 2020

Orthodox Church in America Pension Plan

Statements of Net Assets Available for Benefits

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Investments at fair value:		
Equities	\$ 13,738,562	\$ 13,526,560
Mutual funds	7,409,565	5,843,512
Hedge funds	1,016,016	1,092,639
Money market funds	493,883	575,672
Exchange traded funds	22,630	1,878
Corporate bonds	596,366	237,388
Government Bonds	1,102,483	418,354
Limited partnership	578,142	385,348
	<u>24,957,647</u>	<u>22,081,351</u>
Total investments		
Receivables:		
Employer contributions	132,235	111,668
Employee contributions	97,624	82,963
Voluntary employee contributions	10,070	7,637
Other receivable	750	22,389
Accrued interest receivable	13,130	5,375
	<u>253,809</u>	<u>230,032</u>
Total receivables		
Cash	<u>401,734</u>	<u>311,289</u>
Securities receivable from broker	<u>5,941</u>	<u>-</u>
Total assets	<u>25,619,131</u>	<u>22,622,672</u>
Liabilities		
Accounts payable and accrued expenses	<u>57,300</u>	<u>32,777</u>
Total liabilities	<u>57,300</u>	<u>32,777</u>
Net assets available for benefits	<u>\$ 25,561,831</u>	<u>\$ 22,589,895</u>

See notes to financial statements

Orthodox Church in America Pension Plan

Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2019 and 2018

	2019	2018
Additions		
Investment income (loss):		
Interest income	\$ 36,681	\$ 43,304
Dividend income	517,287	385,150
Net appreciation (depreciation) in fair value of investments	3,997,025	(2,425,128)
Less investment advisory fees	(211,422)	(215,176)
Total net investment income (loss)	4,339,571	(2,211,850)
Contributions:		
Employee contributions	1,077,099	1,045,479
Employer contributions	1,449,184	1,405,112
Voluntary employee contributions	116,251	116,624
Total contributions	2,642,534	2,567,215
Other income	-	150
Total additions	6,982,105	355,515
Deductions		
Benefits paid:		
Normal monthly benefits	(3,513,496)	(3,221,611)
Return of member contributions	(32,483)	(61,577)
Return of voluntary contributions	(66,493)	(15,333)
Return of interest	(43,326)	(74,161)
Total benefits paid	(3,655,798)	(3,372,682)
Administrative expenses	(354,371)	(272,318)
Total deductions	(4,010,169)	(3,645,000)
Net increase (decrease)	2,971,936	(3,289,485)
Net Assets Available for Benefits		
Beginning of year	22,589,895	25,879,380
End of year	\$ 25,561,831	\$ 22,589,895

See notes to financial statements

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

1. Description of the Plan

The following description of the Orthodox Church in America Pension Plan (the Plan) is provided for general informational purposes only. The Plan is a nonelecting church plan, which means that the Plan's sponsor has not elected to be covered by the terms of the Employee Retirement Income Security Act of 1974 (ERISA). Participants should refer to the plan agreement for more complete information.

General

The Plan is a defined benefit pension plan covering all clergy and full time lay employees of the Orthodox Church in America (the Church) including organizations under the Church's jurisdiction. The Plan allows for voluntary contributions by members.

The Orthodox Church in America Pension Board (the Pension Board) has overall responsibility for the operation and administration of the Plan and determines the appropriateness of the Plan's investment offerings and monitors investment performance.

Funding Policy

As a condition of participation, members are required to contribute 6 percent of their pensionable compensation (including housing allowance for clergy) to the Plan, and the Church contributes 8 percent monthly of the employee's pensionable compensation (including housing allowance for clergy) to the Plan. The Plan's funding policy is to have each employer make monthly contributions to the Plan in amounts that are estimated to remain a constant percentage of members' compensation each year, such that, when combined with members' contributions, all members' benefits will be fully provided for by the time they retire. Certain lay employees of St. Vladimir's Seminary who are required to live on its campus contribute based also on their housing allowances.

Per the plan document, a valuation of the Plan shall be made 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 most recent full valuation was January 1, 2019. The contributions by members and churches needed to support the Plan can be changed based on the result of these valuations. Any changes based on the results of an actuarial valuation require a plan amendment.

Pension Benefits

From July 1, 2002 to December 31, 2009, members with 15 or more years of membership service were entitled to annual pension benefits beginning at normal retirement age (65) equal to 65 percent of their highest consecutive five year average annual compensation for each year of service. In addition, effective after December 31, 2005, the monthly normal retirement pension of a member was increased in an amount equal to 2 percent of the members' average monthly housing allowance for each year of participation service after December 31, 2005.

Effective January 1, 2010, the Plan's benefit formula was changed for active participants under the age of 65 (participants over the age of 65 as of January 1, 2010 will continue to accrue under the old Plan). Active participants earn 2 percent of pensionable compensation for every month of participation after 2009. The benefit is subject to a minimum benefit, which was determined as of December 31, 2009 under the old plan benefit. Also, effective January 1, 2010, the interest rate on contributions was changed from 6.0 percent a year compounded monthly to the October Mid-Term Rate of the prior year (2.79 percent and 1.83 percent for 2019 and 2018, respectively).

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

The Plan does not expressly provide an early retirement benefit. Upon termination of employment before normal retirement, a member who has earned at least five years of membership service may have a right to a retirement benefit upon reaching his normal retirement date. Upon retirement, Members may elect to receive their pension benefit in the form of a joint and survivor annuity. If members terminate employment before reaching their normal retirement date and before rendering 15 years of membership service, they forfeit the right to receive a portion of their accumulated plan benefits attributable to the Church's contributions. Members terminating service before reaching their normal retirement date may receive the value of their member contribution accounts and accumulated interest as a lump-sum distribution upon termination of employment, but if they do so, they forfeit any benefit arising from Church contributions. At the normal retirement age, members receive their benefits as a life annuity payable monthly from retirement. For each member electing a life annuity, payments will not be less than the equivalent actuarial value of the member's accumulated contributions plus interest.

Death Benefits and Disability Benefits

If a married member dies, the spouse's benefit is payable to the member's spouse. The benefit shall commence upon the death of the member and is payable for the life of the spouse. The amount of the benefit is determined based on the plan document.

Active members, who have completed five years of service and become totally disabled, receive monthly disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled, provided they are eligible for disability benefits under Title II of the Social Security Act.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance 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 changes therein, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

Administrative expenses are the responsibility of the Plan and are paid from the assets of the Plan. Expenses of the Plan are to be paid by the Church or the Plan if not paid by the Church. Expenses that are paid directly by the Church are excluded from these financial statements. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying Statements of Changes in Net Assets Available for Benefits.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received by the Plan to sell an asset or paid by the Plan to transfer a liability in an orderly transaction between market participants at the measurement date in the Plan's principal or most advantageous market for the asset or liability. The Pension Board determines the Plan's valuation policies utilizing information provided by the investment advisors. See Note 4 for a discussion of 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 (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service members have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated members or their beneficiaries, (b) beneficiaries of members who have died, and (c) present members or their beneficiaries. Benefits payable under all circumstances; retirement, death, disability, and termination of employment are included, to the extent they are deemed attributable to member service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from plan assets are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits is determined by an actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Cash

The Plan maintains its cash deposits in two banks. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for the noncontingent, ascertainable interest of each beneficiary per bank for each employee benefit plan account. Amounts in excess of the FDIC limits are uninsured. The Plan maintains deposits in excess of the FDIC insurance limit, from time to time, in the normal course of business. It is the Plan's policy to monitor the strength of the banks that hold its deposits on an ongoing basis.

Contributions Receivable

Contributions receivable are stated at the amount of employees and employer contributions outstanding at year-end that plan management reasonably expects to collect.

Allowance for Bad Debts

The Plan uses the allowance method to record bad debts. The Plan records an allowance for doubtful accounts against its outstanding contributions receivable, which is based on management's estimation of bad debts in the near term. As of December 31, 2019 and 2018, the Plan did not record an allowance for doubtful accounts against its contributions receivable balances, as they are considered fully collectible.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

Contributions and Participant Accounts

In addition to the required 6 percent contribution required by members (as described in the funding policy disclosure), members may contribute annually not less than 1 percent, nor more than 10 percent, of pretax annual compensation, as defined in the plan document, up to the maximum limits of the Internal Revenue Code (IRC), in voluntary contributions.

Each member's account is credited with the member's voluntary contributions (the Accumulated Voluntary Contribution Account). The full value of the Accumulated Voluntary Contribution Account represents the accumulated voluntary contributions made by the member, with interest credited thereon to the date benefit payments commence, as shall be determined by the Pension Board from time to time. Beginning January 1, 2010, the interest rate is the Federal Mid-Term Rate as published by the Internal Revenue Service (IRS) for October of the prior year, compounded monthly. Members do not direct the investment of their account balances. Members may withdraw from their Accumulated Voluntary Contribution Accounts at any time, once per year. At retirement, the balance of a member's Accumulated Voluntary Contribution Account can be withdrawn as a lump sum or converted to an annuity to enhance the member's monthly benefit.

3. Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits as of January 1, 2020 and 2019 (December 31, 2019 and 2018), respectively, are as follows:

	<u>2019</u>	<u>2018</u>
Vested benefits:		
Members currently receiving payments	\$ 31,436,989	\$ 28,696,857
Other members	<u>19,309,540</u>	<u>19,171,426</u>
Total vested benefits	50,746,529	47,868,283
Nonvested benefit	3,934,343	4,228,394
Voluntary contributions from active and inactive members	<u>967,519</u>	<u>892,850</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 55,648,391</u>	<u>\$ 52,989,527</u>

The changes in the present value of accumulated plan benefits based on actuarial valuations dated January 1, 2020 and 2019 (December 31, 2019 and 2018) are summarized as follows:

	<u>2019</u>	<u>2018</u>
Actuarial present value of accumulated plan benefits, beginning of year	\$ 52,989,527	\$ 50,971,156
Increases (decreases) during the year attributable to:		
For interest due to the decrease in discount period	3,583,478	3,451,934
Benefits accumulated	2,731,184	1,939,119
Benefits paid	(3,655,798)	(3,372,682)
Change in actuarial assumptions	<u>-</u>	<u>-</u>
Actuarial present value of accumulated plan benefits, end of year	<u>\$ 55,648,391</u>	<u>\$ 52,989,527</u>

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

The significant actuarial assumptions used in the valuations as of December 31, 2019 and 2018 were as follows:

- *Long-term rate of return on assets* - 7.0 percent per annum in 2019 and 2018.
- *Mortality* - RP2000 mortality tables projected with generational scale BB for male and females for 2019 and 2018.
- *Withdrawal* - Assumed to occur gradually based on duration of service in 2019 and 2018.
- *Retirement age* - Assumed to occur gradually between 65 and 80, and with five years participation service in 2019 and 2018.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

4. 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 under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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 observables and minimize the use of unobservable inputs.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2019 and 2018:

Equities - Valued at the closing price reported on the active markets on which the individual securities are traded.

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 valuation (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Hedge funds - Valued at the NAV, or unit value, of shares held by the Plan at year-end. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund, less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The Plan invests in Skybridge hedge fund that employs various strategies with an objective to achieve capital appreciation. The NAV of this investment is determined as of the close of business at the end of each month in accordance with valuation principles set forth by policies established by the Skybridge hedge fund's board of directors and NAV as provided by the individual investment funds. The majority of underlying investments for Skybridge utilizes event driven and relative value strategies. Generally, this investment has a quarterly liquidity, subject to a 30 to 90 day notice period; however, other underlying investments have a current lock-up on liquidity greater than quarterly basis.

The Plan invests in Ironwood, a hedge fund, whose investment objective is capital appreciation with limited variability of returns. This fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations. Each underlying fund is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value, market neutral, and low net equity; event driven; and distressed and credit securities. It is estimated that the board of directors of this fund will make an offer to repurchase units from members on a semi-annual basis on June 30 and December 31 each year. A 5 percent early repurchase fee is charged on repurchased units that have been held less than one year. The NAV of this fund is determined as of the close of business at the end of any fiscal period, generally monthly, in accordance with valuation principles outlined in each strategy or pursuant to strategies established by its board of directors.

Money market funds - Valued at the deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

Exchange traded funds (ETFs) - Valued at the closing price reported on the active markets on which the individual ETFs are traded.

Government and 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. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

Limited partnerships/Limited liability company - Valued at NAV as determined and reported by the partnerships/limited liability company (LLC) and represents the Plan's proportionate share of the estimated fair value of the underlying net assets of the limited partnership/LLC. The NAV, as provided by the partnership/LLC, is used as a practical expedient to estimate fair value. During the year ended December 31, 2015, the Plan entered into a partnership agreement with Cohesive Capital Partners II, L.P. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment is \$500,000. As of December 31, 2019 and 2018, \$449,431 and \$348,007 of capital (net of distributions), respectively, were contributed. During the year ended December 31, 2019, the Plan entered into a partnership agreement with Cohesive Capital Partners III, L.P. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment if \$500,000. As of December 31, 2019, \$3,980 of capital (net of distributions), was contributed. During the year ended December 31, 2019, the Plan entered into an agreement with CPG Vintage Access Fund II, LLC. This agreement calls for capital commitments from the Plan and imposes certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment if \$500,000. As of December 31, 2019, \$100,000 of capital (net of distributions), was contributed.

The following table sets forth by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2019:

Assets at Fair Value as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Equities	\$ 13,738,562	\$ -	\$ -	\$ 13,738,562
Mutual funds	7,409,565	-	-	7,409,565
Money market funds	493,883	-	-	493,883
Exchange traded funds	22,630	-	-	22,630
Corporate bonds	-	596,366	-	596,366
Government bonds	-	1,102,483	-	1,102,483
Total assets in the fair value hierarchy	<u>\$ 21,664,640</u>	<u>\$ 1,698,849</u>	<u>\$ -</u>	23,363,489
Investments measured at net asset value (a):				
Limited partnership				578,142
Hedge funds				<u>1,016,016</u>
Total investments at fair value				<u>\$ 24,957,647</u>

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

The following table sets forth by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2018:

Assets at Fair Value as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Equities	\$ 13,526,560	\$ -	\$ -	\$ 13,526,560
Mutual funds	5,843,512	-	-	5,843,512
Money market funds	575,672	-	-	575,672
Exchange traded funds	1,878	-	-	1,878
Corporate bonds	-	237,388	-	237,388
Government bonds	-	418,354	-	418,354
Total assets in the fair value hierarchy	<u>\$ 19,947,622</u>	<u>\$ 655,742</u>	<u>\$ -</u>	20,603,364
Investments measured at net asset value (a):				
Limited partnership				385,348
Hedge funds				1,092,639
Total investments at fair value				<u>\$ 22,081,351</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Net Assets Available for Benefits.

Investments Measured Using NAV per Share Practical Expedient

The following table summarizes investments measured at fair value based on NAV per share as of December 31, 2019 and 2018, respectively.

December 31, 2019				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Skybridge Multi-Adviser Hedge Fund Portfolios LLC	\$ 757,015	None	Quarterly	30 - 90 days
Ironwood Institutional Multi-Strategy Fund	259,001	None	Semi-Annually	90 days
Cohesive Capital Partners II, L.P.	481,969	\$ 50,569	Not Eligible	N/A
Cohesive Capital Partners III, L.P.	-	\$ 496,020	Not Eligible	N/A
CPG Vintage Access Fund II, LLC	96,173	\$ 400,000	Not Eligible	N/A

Orthodox Church in America Pension Plan

Notes to Financial Statements
December 31, 2019 and 2018

December 31, 2018				
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Skybridge Multi-Adviser Hedge Fund Portfolios LLC	\$ 812,470	None	Quarterly	30 - 90 days
Ironwood Institutional Multi-Strategy Fund	280,169	None	Semi-Annually	90 days
Cohesive Capital Partners II, L.P.	385,348	\$ 151,993	Not Eligible	N/A

5. Plan Termination

Although it has not expressed any intention to do so, the Church may terminate the Plan for any reason at any time. Because the Church has not elected to have the Plan become subject to the ERISA, the benefits promised by the Plan are not insured by the Pension Benefit Guaranty Corporation. In case of termination of the Plan, or in the event of discontinuance of contributions having the effect of such termination, the funds of the Plan shall be used for the exclusive benefit of members or their beneficiaries under the Plan as of the date of such termination or discontinuance of contributions having the effect of termination, except that any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation shall be returned to the Church. The Pension Board shall determine on the basis of actuarial valuation the share of the funds of the Plan allocable to each member and beneficiary in the following order:

- a) Each member, retired member and former member shall be entitled to a share equal to the reserve computed to be required for his contributions, including voluntary contributions, made to the Plan;
- b) Each retired member or his beneficiary in receipt of a pension, and each member not yet retired who has reached his normal retirement date shall be entitled to a share equal to the reserve computed to be required for his benefit credits;
- c) Each member who is not eligible for normal retirement but who has completed five years of participation service, and each former member who is eligible for a vested benefit but has not reached age 65, shall be entitled to a share equal to the reserve computed to be required for his benefit credits; and;
- d) Each other member shall be entitled to a share equal to the reserve computed to be required for his benefit credits. If the funds are insufficient to provide in full for the shares under paragraph First, each share there under shall be reduced pro rata; and if the funds are insufficient to provide in full for the shares under paragraphs Second, Third or Fourth after provision for all shares under previous paragraphs, each share under such paragraph Second, Third or Fourth shall be reduced pro rata.

6. Related Parties

The Church pays for the wages and benefits of the two Plan employees and postage fees on behalf of the Plan, which are then reimbursed by the Plan on a monthly basis to the Church. Expenses recorded amounted to \$113,359 and \$100,100 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, \$16,221 and \$4,982, respectively, remain payable to the Church and are included within accounts payable and accrued expenses on the Statements of Net Assets Available for Benefits.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2019 and 2018

7. Tax Status

The IRS has determined and informed the Church by a letter dated September 19, 2017, that the Plan is designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. The plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

8. Concentrations and Risks and Uncertainties

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The Plan 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 participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

9. Subsequent Events

Management has evaluated subsequent events through July 28, 2020, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

In the first several months of 2020, a novel strain of coronavirus, and resulting disease, COVID-19, spread to the United States. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The investments of the Plan are likely to be negatively impacted by national events designed to contain the coronavirus.

Orthodox Church in America Pension Plan

Schedules of Administrative Expenses

Years Ended December 31, 2019 and 2018

	2019	2018
Actuarial services	\$ 80,152	\$ 53,868
Administrator	75,757	65,279
Legal fees	64,200	42,459
Bookkeeper	34,108	32,387
Audit and accounting fees	28,500	23,000
Trustee expenses	18,752	19,429
Insurance	13,289	13,289
Administrator health insurance	12,682	-
Benefit payment service	11,720	11,150
Computer and database	6,555	3,804
Office operations	4,115	4,173
Bank service charges	3,453	2,645
Other	1,088	835
Total administrative expenses	<u>\$ 354,371</u>	<u>\$ 272,318</u>



Orthodox Church In America Pension Plan

Financial Statements and
Supplementary Information

December 31, 2018 and 2017

Orthodox Church In America Pension Plan

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Independent Auditors' Report

To the Pension Board of the
Orthodox Church in America Pension Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Orthodox Church in America Pension Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2018 and 2017, and the related statements of changes in net assets available for benefits for the years ended December 31, 2018 and 2017, 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 Plan'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 Plan'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, information regarding the Plan's net assets available for benefits as of December 31, 2018 and the changes therein for the year then ended, and its financial status as of December 31, 2017, and changes therein for the year 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 supplemental schedules of administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Melville, New York
September 24, 2019

Orthodox Church in America Pension Plan

Statements of Net Assets Available for Benefits

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Investments, at fair value:		
Equities	\$ 13,526,560	\$ 15,081,935
Mutual funds	5,843,512	6,670,691
Hedge funds	1,092,639	1,039,079
Money market funds	575,672	822,761
Exchange traded funds	1,878	16,653
Corporate bonds	237,388	482,477
Government Bonds	418,354	839,192
Limited partnership	385,348	234,895
	<u>22,081,351</u>	<u>25,187,683</u>
Total investments		
Receivables:		
Employer contributions	111,668	137,139
Employee contributions	82,963	101,504
Voluntary employee contributions	7,637	7,018
Other receivable	22,389	608
Accrued interest receivable	5,375	9,972
	<u>230,032</u>	<u>256,241</u>
Total receivables		
Cash	<u>311,289</u>	<u>467,275</u>
Securities receivable from broker	<u>-</u>	<u>1,414</u>
Total assets	<u>22,622,672</u>	<u>25,912,613</u>
Liabilities		
Accounts payable and accrued expenses	<u>32,777</u>	<u>33,233</u>
Total liabilities	<u>32,777</u>	<u>33,233</u>
Net assets available for benefits	<u>\$ 22,589,895</u>	<u>\$ 25,879,380</u>

See notes to financial statements

Orthodox Church in America Pension Plan

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Additions		
Investment (loss) income:		
Interest income	\$ 43,304	\$ 45,927
Dividend income	385,150	459,164
Net (depreciation) appreciation in fair value of investments	(2,425,128)	2,951,579
Less investment advisory fees	<u>(215,176)</u>	<u>(213,418)</u>
Total net investment (loss) income	<u>(2,211,850)</u>	<u>3,243,252</u>
Contributions:		
Employee contributions	1,045,479	1,012,517
Employer contributions	1,405,112	1,360,343
Voluntary employee contributions	<u>116,624</u>	<u>92,614</u>
Total contributions	<u>2,567,215</u>	<u>2,465,474</u>
Other income	<u>150</u>	<u>5,658</u>
Total additions	<u>355,515</u>	<u>5,714,384</u>
Deductions		
Benefits paid:		
Normal monthly benefits	(3,221,611)	(3,052,271)
Return of member contributions	(61,577)	(93,550)
Return of voluntary contributions	(15,333)	(23,046)
Return of interest	<u>(74,161)</u>	<u>(45,250)</u>
Total benefits paid	<u>(3,372,682)</u>	<u>(3,214,117)</u>
Administrative expenses	<u>(272,318)</u>	<u>(319,140)</u>
Total deductions	<u>(3,645,000)</u>	<u>(3,533,257)</u>
Net (decrease) increase	(3,289,485)	2,181,127
Net Assets Available for Benefits		
Beginning of year	<u>25,879,380</u>	<u>23,698,253</u>
End of year	<u>\$ 22,589,895</u>	<u>\$ 25,879,380</u>

See notes to financial statements

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

1. Description of the Plan

The following description of the Orthodox Church in America Pension Plan (the "Plan") is provided for general informational purposes only. The Plan is a non-electing church plan, which means that the Plan's sponsor has not elected to be covered by the terms of the Employee Retirement Income Security Act of 1974 ("ERISA"). Participants should refer to the plan agreement for more complete information.

General

The Plan is a defined benefit pension plan covering all clergy and full time lay employees of the Orthodox Church in America (the "Church") including organizations under the Church's jurisdiction. The Plan allows for voluntary contributions by members.

The Orthodox Church in America Pension Board (the "Pension Board") has overall responsibility for the operation and administration of the Plan and determines the appropriateness of the Plan's investment offerings and monitors investment performance.

Funding Policy

As a condition of participation, members are required to contribute 6 percent of their pensionable compensation (including housing allowance for clergy) to the Plan, and the Church contributes 8 percent monthly of the employee's pensionable compensation (including housing allowance for clergy) to the Plan. The Plan's funding policy is to have each employer make monthly contributions to the Plan in amounts that are estimated to remain a constant percentage of members' compensation each year, such that, when combined with members' contributions, all members' benefits will be fully provided for by the time they retire. Certain lay employees of St. Vladimir's Seminary who are required to live on its campus contribute based also on their housing allowances.

Per the plan document, a valuation of the Plan shall be made 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 most recent valuation was January 1, 2019. The contributions by members and churches needed to support the Plan can be changed based on the result of these valuations. Any changes based on the results of an actuarial valuation require a plan amendment.

Pension Benefits

From July 1, 2002 to December 31, 2009, members with 15 or more years of membership service were entitled to annual pension benefits beginning at normal retirement age (65) equal to 65 percent of their highest consecutive five year average annual compensation for each year of service. In addition, effective after December 31, 2005, the monthly normal retirement pension of a member was increased in an amount equal to 2 percent of the members' average monthly housing allowance for each year of participation service after December 31, 2005.

Effective January 1, 2010, the Plan's benefit formula was changed for active participants under the age of 65 (participants over the age of 65 as of January 1, 2010 will continue to accrue under the old Plan). Active participants earn 2 percent of pensionable compensation for every month of participation after 2009. The benefit is subject to a minimum benefit, which was determined as of December 31, 2009 under the old plan benefit. Also, effective January 1, 2010, the interest rate on contributions was changed from 6.0 percent a year compounded monthly to the October Mid-Term Rate of the prior year (2.79 percent and 1.29 percent for 2018 and 2017, respectively).

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

The Plan does not expressly provide an early retirement benefit. Upon termination of employment before normal retirement, a member who has earned at least five years of membership service may have a right to a retirement benefit upon reaching his normal retirement date. Upon retirement, Members may elect to receive their pension benefit in the form of a joint and survivor annuity. If members terminate employment before reaching their normal retirement date and before rendering 15 years of membership service, they forfeit the right to receive a portion of their accumulated plan benefits attributable to the Church's contributions. Members terminating service before reaching their normal retirement date may receive the value of their member contribution accounts and accumulated interest as a lump-sum distribution upon termination of employment, but if they do so, they forfeit any benefit arising from Church contributions. At the normal retirement age, members receive their benefits as a life annuity payable monthly from retirement. For each member electing a life annuity, payments will not be less than the equivalent actuarial value of the member's accumulated contributions plus interest.

Death Benefits and Disability Benefits

If a married member dies, the spouse's benefit is payable to the member's spouse. The benefit shall commence upon the death of the member and is payable for the life of the spouse. The amount of the benefit is determined based on the plan document.

Active members, who have completed five years of service and become totally disabled, receive monthly disability benefits that are equal to the normal retirement benefits they have accumulated as of the time they become disabled, provided they are eligible for disability benefits under Title II of the Social Security Act.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance 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 changes therein, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

Administrative expenses are the responsibility of the Plan and are paid from the assets of the Plan. Expenses of the Plan are to be paid by the Church or the Plan if not paid by the Church. Expenses that are paid directly by the Church are excluded from these financial statements. Certain expenses incurred in connection with the general administration of the Plan that are paid by the Plan are recorded as deductions in the accompanying statements of changes in net assets available for benefits.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received by the Plan to sell an asset or paid by the Plan to transfer a liability in an orderly transaction between market participants at the measurement date in the Plan's principal or most advantageous market for the asset or liability. The Pension Board determines the Plan's valuation policies utilizing information provided by the investment advisors. See Note 4 for a discussion of 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 (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service members have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated members or their beneficiaries, (b) beneficiaries of members who have died, and (c) present members or their beneficiaries. Benefits payable under all circumstances; retirement, death, disability, and termination of employment are included, to the extent they are deemed attributable to member service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from plan assets are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits is determined by an actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Cash

The Plan maintains its cash deposits in two banks. The Federal Deposit Insurance Corporation ("FDIC") insures cash balances up to \$250,000 for the non-contingent, ascertainable interest of each beneficiary per bank for each employee benefit plan account. Amounts in excess of the FDIC limits are uninsured. The Plan maintains deposits in excess of the FDIC insurance limit, from time to time, in the normal course of business. It is the Plan's policy to monitor the strength of the banks that hold its deposits on an ongoing basis.

Contributions Receivable

Contributions receivable are stated at the amount of employees and employer contributions outstanding at year-end that plan management reasonably expects to collect.

Allowance for Bad Debts

The Plan uses the allowance method to record bad debts. The Plan records an allowance for doubtful accounts against its outstanding contributions receivable, which is based on management's estimation of bad debts in the near term. As of December 31, 2018 and 2017, the Plan did not record an allowance for doubtful accounts against its contributions receivable balances, as they are considered fully collectible.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

Contributions and Participant Accounts

In addition to the required 6 percent contribution required by members (as described in the funding policy disclosure), members may contribute annually not less than 1 percent, nor more than 10 percent, of pretax annual compensation, as defined in the plan document, up to the maximum limits of the Internal Revenue Code ("IRC"), in voluntary contributions.

Each member's account is credited with the member's voluntary contributions (the "Accumulated Voluntary Contribution Account"). The full value of the Accumulated Voluntary Contribution Account represents the accumulated voluntary contributions made by the member, with interest credited thereon to the date benefit payments commence, as shall be determined by the Pension Board from time to time. Beginning January 1, 2010, the interest rate is the Federal Mid-Term Rate as published by the IRS for October of the prior year, compounded monthly. Members do not direct the investment of their account balances. Members may withdraw from their Accumulated Voluntary Contribution Accounts at any time, once per year. At retirement, the balance of a member's Accumulated Voluntary Contribution Account can be withdrawn as a lump sum or converted to an annuity to enhance the member's monthly benefit.

Subsequent Events

The Plan has evaluated subsequent events for recognition and disclosure through September 24, 2019, the date the financial statements were available to be issued.

3. Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits as of January 1, 2019 and 2018 (December 31, 2018 and 2017), respectively, are as follows:

	<u>2018</u>	<u>2017</u>
Vested benefits:		
Members currently receiving payments	\$ 28,696,857	\$ 25,005,721
Other members	<u>19,171,426</u>	<u>19,440,307</u>
Total vested benefits	47,868,283	44,446,028
Non-vested benefit	4,228,394	5,599,287
Voluntary contributions from active and inactive members	<u>892,850</u>	<u>925,841</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 52,989,527</u>	<u>\$ 50,971,156</u>

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

The changes in the present value of accumulated plan benefits based on actuarial valuations dated January 1, 2019 and 2018 (December 31, 2018 and 2017) are summarized as follows:

	2018	2017
Actuarial present value of accumulated plan benefits, beginning of year	\$ 50,971,156	\$ 49,211,285
Increases (decreases) during the year attributable to:		
For interest due to the decrease in discount period	3,451,934	3,334,198
Benefits accumulated	1,939,119	1,639,790
Benefits paid	(3,372,682)	(3,214,117)
Change in actuarial assumptions	-	-
Actuarial present value of accumulated plan benefits, end of year	\$ 52,989,527	\$ 50,971,156

The significant actuarial assumptions used in the valuations as of December 31, 2018 and 2017 were as follows:

- *Long-term rate of return on assets* - 7.0 percent per annum in 2018 and 2017.
- *Mortality* - RP2000 mortality tables projected with generational scale BB for male and females for 2018 and 2017.
- *Withdrawal* - Assumed to occur gradually based on duration of service in 2018 and 2017.
- *Retirement age* - Assumed to occur gradually between 65 and 80, and with five years participation service in 2018 and 2017.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

4. 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 under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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 observables and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2018 and 2017:

Equities - Valued at the closing price reported on the active markets on which the individual securities are traded.

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 valuation ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Hedge funds - Valued at the NAV, or unit value, of shares held by the Plan at year end. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund, less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The Plan invests in Skybridge hedge fund that employs various strategies with an objective to achieve capital appreciation. The NAV of this investment is determined as of the close of business at the end of each month in accordance with valuation principles set forth by policies established by the Skybridge hedge fund's board of directors and NAV as provided by the individual investment funds. The majority of underlying investments for Skybridge utilizes event driven and relative value strategies. Generally, this investment has a quarterly liquidity, subject to a 30 to 90 day notice period; however, other underlying investments have a current lock-up on liquidity greater than quarterly basis.

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

The Plan invests in Ironwood, a hedge fund, whose investment objective is capital appreciation with limited variability of returns. This fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations. Each underlying fund is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value, market neutral, and low net equity; event driven; and distressed and credit securities. It is estimated that the board of directors of this fund will make an offer to repurchase units from members on a semi-annual basis on June 30 and December 31 each year. A 5 percent early repurchase fee is charged on repurchased units that have been held less than one year. The NAV of this fund is determined as of the close of business at the end of any fiscal period, generally monthly, in accordance with valuation principles outlined in each strategy or pursuant to strategies established by its board of directors.

Money market funds - Valued at the deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

Exchange traded funds ("ETFs") - Valued at the closing price reported on the active markets on which the individual ETFs are traded.

Government and 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. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Limited partnership - Valued at NAV as determined and reported by the partnership and represents the Plan's proportionate share of the estimated fair value of the underlying net assets of the limited partnership. The NAV, as provided by the partnership, is used as a practical expedient to estimate fair value. For the year ended December 31, 2015, the Plan has entered into partnership agreement with Cohesive Capital Partners II, LP. This agreement calls for capital commitments from the Plan and impose certain restrictions as to capital withdrawals or distributions. The total capital contribution commitment in this investment is \$500,000. As of December 31, 2018 and 2017, \$379,851 and \$191,886 of capital, respectively, was contributed.

Cash - Milliman Managed Risk Strategy is valued at the deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

Orthodox Church in America Pension Plan

Notes to Financial Statements
December 31, 2018 and 2017

The following table sets forth by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2018:

Assets at Fair Value as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Equities	\$ 13,526,560	\$ -	\$ -	\$ 13,526,560
Mutual funds	5,843,512	-	-	5,843,512
Money market funds	575,672	-	-	575,672
Exchange traded funds	1,878	-	-	1,878
Corporate bonds	-	237,388	-	237,388
Government bonds	-	418,354	-	418,354
Total assets in the fair value hierarchy	<u>\$ 19,947,622</u>	<u>\$ 655,742</u>	<u>\$ -</u>	20,603,364
Investments measured at net asset value (a):				
Limited partnership				385,348
Hedge funds				<u>1,092,639</u>
Investments at fair value				<u>\$ 22,081,351</u>

The following table sets forth by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2017:

Assets at Fair Value as of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Equities	\$ 15,081,935	\$ -	\$ -	\$ 15,081,935
Mutual funds	6,670,691	-	-	6,670,691
Money market funds	822,761	-	-	822,761
Exchange traded funds	16,653	-	-	16,653
Corporate bonds	-	482,477	-	482,477
Government bonds	-	839,192	-	839,192
Total assets in the fair value hierarchy	<u>\$ 22,592,040</u>	<u>\$ 1,321,669</u>	<u>\$ -</u>	23,913,709
Investments measured at net asset value (a):				
Limited partnership				234,895
Hedge funds				<u>1,039,079</u>
Investments at fair value				<u>\$ 25,187,683</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

Orthodox Church in America Pension Plan

Notes to Financial Statements
December 31, 2018 and 2017

Investments Measured Using NAV per Share Practical Expedient

The following table summarizes investments measured at fair value based on NAV per share as of December 31, 2018 and 2017, respectively.

	December 31, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Skybridge Multi-Adviser Hedge Fund Portfolios LLC	\$ 812,470	None	Quarterly	30 - 90 days
Ironwood Institutional Multi-Strategy Fund	280,169	None	Semi-Annually	90 days
Cohesive Capital Partners II, L.P.	385,348	\$ 120,149	Not Eligible	N/A
	December 31, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Skybridge Multi-Adviser Hedge Fund Portfolios LLC	\$ 765,708	None	Quarterly	30 - 90 days
Ironwood Institutional Multi-Strategy Fund	273,371	None	Semi-Annually	90 days
Cohesive Capital Partners II, L.P.	234,895	\$ 308,114	Not Eligible	N/A

5. Plan Termination

Although it has not expressed any intention to do so, the Church may terminate the Plan for any reason at any time. Because the Church has not elected to have the Plan become subject to the ERISA, the benefits promised by the Plan are not insured by the Pension Benefit Guaranty Corporation. In case of termination of the Plan, or in the event of discontinuance of contributions having the effect of such termination, the funds of the Plan shall be used for the exclusive benefit of members or their beneficiaries under the Plan as of the date of such termination or discontinuance of contributions having the effect of termination, except that any funds not required to satisfy all liabilities of the Plan for benefits because of erroneous actuarial computation shall be returned to the Church. The Pension Board shall determine on the basis of actuarial valuation the share of the funds of the Plan allocable to each member and beneficiary in the following order:

- Each member, retired member and former member shall be entitled to a share equal to the reserve computed to be required for his contributions, including voluntary contributions, made to the Plan;
- Each retired member or his beneficiary in receipt of a pension, and each member not yet retired who has reached his normal retirement date shall be entitled to a share equal to the reserve computed to be required for his benefit credits;
- Each member who is not eligible for normal retirement but who has completed five years of participation service, and each former member who is eligible for a vested benefit but has not reached age 65, shall be entitled to a share equal to the reserve computed to be required for his benefit credits; and;

Orthodox Church in America Pension Plan

Notes to Financial Statements

December 31, 2018 and 2017

- d) Each other member shall be entitled to a share equal to the reserve computed to be required for his benefit credits. If the funds are insufficient to provide in full for the shares under paragraph First, each share there under shall be reduced pro rata; and if the funds are insufficient to provide in full for the shares under paragraphs Second, Third or Fourth after provision for all shares under previous paragraphs, each share under such paragraph Second, Third or Fourth shall be reduced pro rata.

6. Related Parties

The Church pays for the wages and benefits of the two Plan employees and postage fees on behalf of the Plan, which are then reimbursed by the Plan on a monthly basis to the Church. Expenses recorded amounted to \$100,100 and \$91,640 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, \$4,982 and \$7,392, respectively, remain payable to the Church and are included within accounts payable and accrued expenses on the Statements of Net Assets Available for Benefits.

7. Tax Status

The Internal Revenue Service ("IRS") has determined and informed the Church by a letter dated September 19, 2017, that the Plan is designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. The plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

8. Concentrations and Risks and Uncertainties

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The Plan 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 participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

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Schedules of Administrative Expenses

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Actuarial services	\$ 53,868	\$ 53,946
Legal fees	42,459	95,677 (a)
Administrator	65,279	52,784
Bookkeeper	32,387	36,505
Trustee expenses	19,429	14,825
Audit and accounting fees	23,000	23,000
Insurance	13,289	12,674
Benefit payment service	11,150	10,475
Computer and database	3,804	1,463
Office operations	4,173	3,010
Bank service charges	2,645	3,320
Other	<u>835</u>	<u>11,461</u>
Total administrative expenses	<u>\$ 272,318</u>	<u>\$ 319,140</u>

(a) The legal fees paid in 2017 include \$23,677 paid as an adjustment for services provided during the period of April 1, 2016 through March 31, 2017. The legal fees were incurred for work in excess of the general service retainer that the Plan has with counsel arising from consideration of plan amendments and submission of the plan for a determination letter from the Internal Revenue Service with respect to the ongoing tax exempt status of the Plan.