

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

Financial Statements  
and  
Auditor's Report

Year Ended June 30, 2003

# ***Lambrides, Lamos, Moulthrop LLP***

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## **Independent Auditor's Report**

We have audited the accompanying statement of financial position of St. Vladimir's Orthodox Theological Seminary as of June 30, 2003 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Seminary's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's June 30, 2002 financial statements and, in our report dated October 17, 2002, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vladimir's Orthodox Theological Seminary as of June 30, 2003 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lambrides, Lamos, Moulthrop LLP*

October 24, 2003

**St. Vladimir's Orthodox Theological Seminary**  
**Statement of Financial Position**  
**June 30, 2003**  
**With Comparative Amounts at June 30, 2002**

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
Cash and cash equivalents	\$ 1,038,175	\$ 299,437
Accounts receivable (less allowance for doubtful accounts of \$41,459 in 2003 and \$29,957 in 2002)	221,211	174,628
Pledges receivable	107,705	160,321
Prepaid expenses	41,296	10,808
Inventory	574,737	689,489
Investments	11,334,795	11,556,399
Investment in property	100,000	100,000
Cash surrender value of life insurance	92,466	130,812
Land, buildings and equipment (at cost less accumulated depreciation of \$3,886,719 in 2003 and \$3,388,298 in 2002)	<u>12,779,486</u>	<u>13,050,717</u>
Total assets	<u>\$26,289,871</u>	<u>\$26,172,611</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 130,048	\$ 185,947
Deferred revenue	14,220	19,542
Mortgages payable	441,986	464,664
Annuity and life trust payable	<u>219,403</u>	<u>219,403</u>
Total liabilities	<u>805,657</u>	<u>889,556</u>
 <b>Net assets:</b>		
Unrestricted:		
Net investment in land, buildings, furniture, fixtures and equipment	12,200,605	12,520,288
Board designated long-term investments	3,708,158	3,697,587
Undesignated	<u>1,259,179</u>	<u>1,453,055</u>
Total unrestricted net assets	17,167,942	17,670,930
Temporarily restricted	1,800,315	1,519,215
Permanently restricted	<u>6,515,957</u>	<u>6,092,910</u>
Total net assets	<u>25,484,214</u>	<u>25,283,055</u>
Total liabilities and net assets	<u>\$26,289,871</u>	<u>\$26,172,611</u>

See notes to financial statements.

Exhibit A

**St. Vladimir's Orthodox Theological Seminary**  
**Statement of Activities**  
**Year Ended June 30, 2003**  
**With Comparative Amounts at June 30, 2002**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2003 Total	2002 Total
<b>Income and releases:</b>					
Tuition and fees	\$ 435,141			\$ 435,141	\$ 460,790
Less scholarship and financial aid	<u>(309,951)</u>			<u>(309,951)</u>	<u>(344,606)</u>
Net tuition and fees	125,190			125,190	116,184
Gifts and grants	936,980	\$ 982,580	\$ 423,047	2,342,607	2,291,042
Endowment income		295,551		295,551	(481,259)
Investment income	222,858			222,858	(278,598)
Gain on sale of property					31,480
Subscriptions income	35,640			35,640	34,514
Summer institute income	39,039			39,039	31,477
Auxiliary enterprises	1,341,135			1,341,135	1,375,047
Other income	<u>32,930</u>			<u>32,930</u>	<u>26,156</u>
 Total income before net assets released from restrictions	 2,733,772	 1,278,131	 423,047	 4,434,950	 3,146,043
 Net assets released from restrictions					
Satisfaction of program restrictions	<u>997,031</u>	<u>(997,031)</u>			
 Total income	 <u>3,730,803</u>	 <u>281,100</u>	 <u>423,047</u>	 <u>4,434,950</u>	 <u>3,146,043</u>
<b>Expenses:</b>					
Educational and general:					
Instruction	828,809			828,809	874,737
Public service	27,757			27,757	26,226
Library	168,987			168,987	166,049
Student services	94,946			94,946	101,833
Theological research publications	22,634			22,634	26,266
Operation and maintenance of plant	493,081			493,081	395,054
General institutional expense	906,210			906,210	815,936
Auxiliary enterprises	<u>1,175,012</u>			<u>1,175,012</u>	<u>1,090,490</u>
 Total expenses	 <u>3,717,436</u>			 <u>3,717,436</u>	 <u>3,496,591</u>
 <b>Change in net assets before depreciation</b>	 13,367	 281,100	 423,047	 717,514	 (350,548)
Depreciation	<u>(516,355)</u>			<u>(516,355)</u>	<u>(401,550)</u>
 <b>Change in net assets</b>	 (502,988)	 281,100	 423,047	 201,159	 (752,098)
 <b>Net assets at beginning of year</b>	 <u>17,670,930</u>	 <u>1,519,215</u>	 <u>6,092,910</u>	 <u>25,283,055</u>	 <u>26,035,153</u>
 <b>Net assets at end of year</b>	 <u>\$17,167,942</u>	 <u>\$ 1,800,315</u>	 <u>\$6,515,957</u>	 <u>\$25,484,214</u>	 <u>\$25,283,055</u>

See notes to financial statements.

Exhibit B

**St. Vladimir's Orthodox Theological Seminary**  
**Statement of Cash Flows**  
**Year ended June 30, 2003**  
**With Comparative Amounts at June 30, 2002**

	<b>2003</b>	<b>2002</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 201,159	\$ (752,098)
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Depreciation expense	516,355	401,550
Contributions restricted for long-term investment	(1,120,431)	(456,939)
Realized and unrealized (gains) losses on investments	(315,779)	997,283
(Gain) loss on the sale of property		(8,171)
Change in annuity and life income obligations		(236,234)
(Increase) decrease in:		
Accounts receivable	(46,583)	21,987
Pledges receivable	52,616	67,768
Prepaid expenses	(30,488)	
Inventory	114,752	47,808
Cash surrender value of life insurance	38,346	(13,058)
Increase (decrease) in:		
Accounts payable	(55,899)	66,800
Deferred revenue	<u>(5,322)</u>	<u>5,701</u>
Net cash provided (used) by operating activities	<u>(651,274)</u>	<u>142,397</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(9,774,307)	(8,294,730)
Proceeds from sales of investments	10,311,690	9,031,831
Proceeds from sale of property		30,571
Purchase of property, plant and equipment	<u>(245,124)</u>	<u>(1,502,786)</u>
Net cash provided (used) by investing activities	<u>292,259</u>	<u>(735,114)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for:		
Investment in endowment	423,047	391,200
Investment in annuity and life income trusts		35,154
Property, plant and equipment	697,384	30,585
New debt		470,000
Repayment of principal	<u>(22,678)</u>	<u>(470,969)</u>
Net cash provided by financing activities	<u>1,097,753</u>	<u>455,970</u>
<b>Net increase (decrease) in cash flows</b>	<b>738,738</b>	<b>(136,747)</b>
<b>Cash and cash equivalents:</b>		
Balance at beginning of year	<u>299,437</u>	<u>436,184</u>
Balance at end of year	<u>\$ 1,038,175</u>	<u>\$ 299,437</u>
<b>Interest paid</b>	<u>\$ 20,474</u>	<u>\$ 37,864</u>

See notes to financial statements.

Exhibit C

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2003**

**1. Organization and Purpose:**

St. Vladimir's Orthodox Theological Seminary is a graduate professional school chartered and approved by the Board of Regents of the University of the State of New York and accredited nationally by the Association of Theological Schools. The Seminary's twofold mission is to prepare adequately 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.

**2. Summary of Significant Accounting Policies:**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**a. Accrual Basis Financial Statements**

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

**b. Net Assets**

The net assets of the Seminary and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the organization to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be permanently retained. Generally, the donors of these funds permit the organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

**c. Contributions**

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor.

**d. Cash and Cash Equivalents**

The Seminary includes cash on deposit, cash on hand and certificates of deposits with original maturities less than three months (if any) to be cash equivalents.

(Continued)

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2003**

**2. Accounting Policies:** (Continued)

**e. Investments**

Investments in equity securities with readily determinable fair market values and all investments in debt securities are reported at fair market value, with gains and losses included in the statement of activities. Donated investments are reflected as contributions at their market values at date of receipt.

**f. Inventories**

Inventories are stated at the lower of cost or market, determined by the first-in, first-out method.

**g. Firm Pledges**

Firm pledges are recognized as income in the year for which the pledge is made. Pledges that are expected to be received 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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

**h. Physical Properties**

Physical properties, real estate and equipment are carried at cost or, if donated, at the fair market value on the date of the gift.

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

Buildings and improvements	30 - 40 years
Library books and media	5 - 10 years
Furniture and equipment	5 - 10 years
Vehicles	5 years

**i. Annuity and Life Trust Payable**

The Seminary established a gift annuity and life trust payable plan 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 annuity and life trust payable is evaluated annually (giving effect to investment income and payments to annuitants) and any surplus or deficiency is recognized as investment income.

**j. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from their estimates.

(Continued)

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2003**

**3. Pledges Receivable:**

All pledged commitments have been made for the Capital Campaign.

Pledges are expected to be received as follows:

In less than one year	\$ 28,250
In one to five years	71,750
In over five years	<u>30,500</u>
Subtotal	130,500
Less: Unamortized discount	<u>(22,795)</u>
Net pledges receivable	<u>\$107,705</u>

**4. Investments:**

The cost and market values of securities as of June 30, 2003 are as follows:

	<b>Cost</b>	<b>Market Value</b>
Cash and cash equivalents	\$ 1,239,913	\$ 1,239,913
Mutual Funds	668,743	769,020
Stocks	6,853,405	7,153,284
Bonds	<u>2,112,477</u>	<u>2,172,578</u>
Total	<u>\$10,874,538</u>	<u>\$11,334,795</u>

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

Interest and dividend income	\$ 252,959
Investment fees	(50,329)
Realized gains on investments	(435,613)
Unrealized gain on investments	<u>751,392</u>
	<u>\$ 518,409</u>

**5. Seminary Plant:**

A summary of Seminary plant as of June 30, 2003 is as follows:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
Land	\$ 740,744		\$ 740,744
Land improvements	602,219	\$ 70,786	531,433
Buildings and improvements	13,209,389	2,683,447	10,525,942
Library books and media	922,893	628,571	294,322
Furniture and equipment	986,802	438,840	547,962
Vehicles	67,264	65,075	2,189
Construction in progress	<u>136,894</u>		<u>136,894</u>
	<u>\$16,666,205</u>	<u>\$3,886,719</u>	<u>\$12,779,486</u>

(Continued)



**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2003**

**6. Mortgage Loans Payable:**

Mortgage loan payable with variable interest at prime. Monthly payments of \$1,758 (interest and principal) are due through March 2017.	\$211,589
Mortgage loan payable with variable interest at prime. Monthly payments of \$1,915 (interest and principal) are due through March 2017.	<u>230,397</u>
	<u>\$441,986</u>

Principal payments on mortgages for the succeeding five years and thereafter are as follows:

<b>Year ending June 30,</b>	
2004	\$ 25,841
2005	26,961
2006	28,129
2007	29,349
2008	30,621
After 2008	<u>301,085</u>
	<u>\$441,986</u>

**7. Line of Credit - Bank:**

The Seminary has an open line of credit of \$250,000 with a bank with no outstanding balance at June 30, 2003. The interest rate is prime plus 1%. The agreement expires December 2003.

**8. Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

Construction projects	\$ 923,470
Quality ministry grant	263,945
Scholarships	283,981
Student loans and assistance	8,531
Technology grants	104,467
Music tradition grant	157,563
Press Grant	47,916
Other	<u>10,442</u>
	<u>\$1,800,315</u>

(Continued)

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2003**

**9. Functional Classification of Expenses:**

Expenses are charged to program and supporting services on the basis of periodic time and expense studies. Allocation of total unrestricted expenses (with the inclusion of depreciation) for the year are as follows:

Program services:	
Instruction	\$1,102,493
Public service	65,697
Library	433,335
Student services	139,077
Theological research publications	27,379
Auxiliary enterprises	<u>1,425,354</u>
Total program services	<u>3,193,335</u>
Supporting services:	
General institutional	516,223
Development and communications	<u>524,233</u>
Total supporting services	<u>1,040,456</u>
Total expenses	<u><u>\$4,233,791</u></u>

**10. Retirement Plan:**

The Seminary participates in the Orthodox Church in America pension plan which is a multi-employer plan. The plan provides defined benefits with participation available to all full time employees. The Seminary contributes 6% of each employee's salary, and the employee contributes 6%. The retirement benefit costs charged to expense amounted to \$61,736 in 2003.

**11. Internal Revenue Code Status:**

The Seminary has been granted tax exempt status as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code.

**12. Concentration of Risk:**

Significant concentrations of credit risk arise from cash deposits in excess of federally insured amounts of \$100,000. Cash and cash equivalents held in one bank by the Seminary amounted to \$1,170,045 at June 30, 2003.

**13. Reclassification:**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

(Concluded)

**St. Vladimir's Orthodox Theological Seminary**  
**Schedule of Financial Position**  
**June 30, 2003**  
**With Comparative Amounts at June 30, 2002**

ASSETS	Operating	Restricted	Plant	Life Income Trusts	Endowments	2003 Total	2002 Total
Cash and cash equivalents	\$ 1,038,175					\$ 1,038,175	\$ 299,437
Accounts receivable (less allowance for doubtful accounts of \$41,459 in 2003 and \$29,957 in 2002)	221,211					221,211	174,628
Pledges receivable			\$ 107,705			107,705	160,321
Prepaid expenses	41,296					41,296	10,808
Inventory	574,737					574,737	689,489
Investments	753,166			\$176,361	\$10,405,268	11,334,795	11,556,399
Investment in property			33,333		66,667	100,000	100,000
Cash surrender value of life insurance	92,466					92,466	130,812
Land, buildings and equipment (at cost less accumulated depreciation of \$3,886,719 in 2003 and \$3,388,298 in 2002)			12,779,486			12,779,486	13,050,717
Interfund receivable (payable)	<u>(1,354,400)</u>	<u>\$605,528</u>	<u>645,537</u>	<u>88,797</u>	<u>14,538</u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$1,366,651</u>	<u>\$605,528</u>	<u>\$13,566,061</u>	<u>\$265,158</u>	<u>\$10,486,473</u>	<u>\$26,289,871</u>	<u>\$26,172,611</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ 130,048					\$ 130,048	\$ 185,947
Deferred revenue	14,220					14,220	19,542
Mortgages payable			\$ 441,986			441,986	464,664
Annuity and life trust payable	<u>                  </u>			<u>\$219,403</u>		<u>219,403</u>	<u>219,403</u>
Total liabilities	<u>144,268</u>		<u>441,986</u>	<u>219,403</u>		<u>805,657</u>	<u>889,556</u>
<b>Net assets:</b>							
Unrestricted:							
Net investment in land, buildings, furniture, fixtures & equipment			12,200,605			12,200,605	12,520,288
Board designated long-term investments					\$ 3,708,158	3,708,158	3,697,587
Undesignated	<u>1,222,383</u>			<u>12,097</u>	<u>24,699</u>	<u>1,259,179</u>	<u>1,453,055</u>
Total unrestricted net assets	1,222,383		12,200,605	12,097	3,732,857	17,167,942	17,670,930
Temporarily restricted		\$605,528	923,470		271,317	1,800,315	1,519,215
Permanently restricted	<u>                  </u>			<u>33,658</u>	<u>6,482,299</u>	<u>6,515,957</u>	<u>6,092,910</u>
Total net assets	<u>1,222,383</u>	<u>605,528</u>	<u>13,124,075</u>	<u>45,755</u>	<u>10,486,473</u>	<u>25,484,214</u>	<u>25,283,055</u>
Total liabilities and net assets	<u>\$1,366,651</u>	<u>\$605,528</u>	<u>\$13,566,061</u>	<u>\$265,158</u>	<u>\$10,486,473</u>	<u>\$26,289,871</u>	<u>\$26,172,611</u>

See notes to financial statements.