

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

Financial Statements  
and  
Auditor's Report

Year Ended June 30, 2008

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

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of St. Vladimir's Orthodox Theological Seminary (the Seminary) as of June 30, 2008 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, 2007 financial statements and, in our report dated October 18, 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Seminary's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vladimir's Orthodox Theological Seminary as of June 30, 2008 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Lambrides, Lemos, Moulthrop LLP*

October 26, 2008

**St. Vladimir's Orthodox Theological Seminary**  
**Statement of Financial Position**  
**June 30, 2008**  
**With Summarized Comparative Financial Information as of June 30, 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 110,230	\$ 107,024
Accounts receivable (less allowance for doubtful accounts of \$81,449 in 2008 and \$97,339 in 2007)	193,740	198,027
Bequests receivable	814,518	
Pledges receivable	611,333	352,817
Prepaid expenses and security deposits	8,548	21,510
Inventory	874,886	752,830
Investments	14,127,501	15,345,356
Investment in property	122,122	122,122
Cash surrender value of life insurance	126,501	123,268
Land, building and equipment (at cost less accumulated depreciation of \$5,967,434 in 2008 and \$5,425,442 in 2007)	<u>16,454,804</u>	<u>16,724,989</u>
Total assets	<u>\$ 33,444,183</u>	<u>\$ 33,747,943</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 206,800	\$ 119,025
Deferred revenue	13,937	4,504
Mortgages and loans payable	4,249,978	3,818,948
Annuity and life trust payable	<u>166,281</u>	<u>183,947</u>
Total liabilities	<u>4,636,996</u>	<u>4,126,424</u>
<b>Net assets:</b>		
Unrestricted:		
Net investment in land, building and equipment	12,504,826	12,834,041
Board designated long-term investments	4,966,849	5,897,520
Undesignated:	<u>225,935</u>	<u>489,781</u>
Total unrestricted net assets	17,697,610	19,221,342
Temporarily restricted	1,833,541	2,766,975
Permanently restricted	<u>9,276,036</u>	<u>7,633,202</u>
Total net assets	<u>28,807,187</u>	<u>29,621,519</u>
Total liabilities and net assets	<u>\$ 33,444,183</u>	<u>\$ 33,747,943</u>

See notes to financial statements.

**St. Vladimir's Orthodox Theological Seminary**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**  
**With Summarized Comparative Financial Information for the Year Ended June 30, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Totals	2007 Totals
<b>Income and releases</b>					
Tuition and fees	\$ 575,416			\$ 575,416	\$ 686,110
Less scholarship and financial aid	<u>(253,607)</u>			<u>(253,607)</u>	<u>(272,164)</u>
Net tuition and fees	321,809			321,809	413,946
Gifts and grants	887,460	\$ 873,579	\$ 1,642,834	3,403,873	2,101,776
Endowment income (loss)		(704,211)		(704,211)	1,541,776
Investment income (loss)	(341,807)			(341,807)	854,222
Subscriptions income	23,655			23,655	29,750
Summer institute income	47,989			47,989	25,685
Orthodox Education Day					28,011
Auxiliary enterprises	1,583,285			1,583,285	1,394,641
Other income	<u>14,755</u>			<u>14,755</u>	<u>43,640</u>
Total income before net assets released from restrictions	2,537,146	169,368	1,642,834	4,349,348	6,433,447
Net assets released from restrictions					
Satisfactions of program restrictions	<u>1,102,802</u>	<u>(1,102,802)</u>			
Total income and releases	<u>3,639,948</u>	<u>(933,434)</u>	<u>1,642,834</u>	<u>4,349,348</u>	<u>6,433,447</u>
<b>Expenses:</b>					
Educational and general:					
Instruction	932,773			932,773	839,010
Public service	53,082			53,082	30,169
Library	157,323			157,323	152,199
Student services	81,126			81,126	135,729
Theological research publications	5,201			5,201	36,030
Operation and maintenance of plant	600,176			600,176	617,501
General institutional expense	1,341,150			1,341,150	773,862
Interest expense	504,316			504,316	297,834
Auxiliary enterprises	<u>798,327</u>			<u>798,327</u>	<u>962,991</u>
Total expenses	<u>4,473,474</u>			<u>4,473,474</u>	<u>3,845,325</u>
<b>Change in net assets before depreciation</b>	(833,526)	(933,434)	1,642,834	(124,126)	2,588,122
Depreciation	<u>(690,206)</u>			<u>(690,206)</u>	<u>(662,756)</u>
<b>Change in net assets</b>	(1,523,732)	(933,434)	1,642,834	(814,332)	1,925,366
<b>Net assets at beginning of year</b>	<u>19,221,342</u>	<u>2,766,975</u>	<u>7,633,202</u>	<u>29,621,519</u>	<u>27,696,153</u>
<b>Net assets at end of year</b>	<u>\$ 17,697,610</u>	<u>\$ 1,833,541</u>	<u>\$ 9,276,036</u>	<u>\$ 28,807,187</u>	<u>\$ 29,621,519</u>

See notes to financial statements.

**St. Vladimir's Orthodox Theological Seminary**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**  
**With Comparative Financial Information for the Year Ended June 30, 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (814,332)	\$ 1,925,366
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	690,206	662,756
Contributions restricted for long-term investment	(1,993,323)	(328,393)
Realized and unrealized (gain) loss on investments	1,046,018	(2,246,995)
(Increase) decrease in:		
Accounts receivable	4,287	9,108
Bequests receivable	(814,518)	
Pledges receivable	(258,516)	443,586
Prepaid expenses and security deposits	12,962	(1,961)
Inventory	(122,056)	15,636
Cash surrender value of life insurance	(3,233)	(7,136)
Increase (decrease) in:		
Accounts payable	87,775	(191,757)
Deferred revenue	9,433	(20,573)
Annuity and life trust payable	(17,666)	
Net cash provided (used) by operating activities	<u>(2,172,963)</u>	<u>259,637</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(23,028,789)	(11,070,641)
Proceeds from sales of investments	23,200,626	10,923,531
Purchase of land, building and equipment	<u>(420,021)</u>	<u>(304,664)</u>
Net cash used by investing activities	<u>(248,184)</u>	<u>(451,774)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for:		
Investment in endowment	1,642,834	319,240
Land, building and equipment	350,489	9,153
Proceeds from new debt	3,913,753	131,460
Repayment of principal	<u>(3,482,723)</u>	<u>(335,010)</u>
Net cash provided by financing activities	<u>2,424,353</u>	<u>124,843</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	3,206	(67,294)
<b>Cash and cash equivalents at beginning of year</b>	<u>107,024</u>	<u>174,318</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 110,230</u>	<u>\$ 107,024</u>
<b>Supplemental information:</b>		
Total interest paid	<u>\$ 504,316</u>	<u>\$ 297,834</u>

See notes to financial statements.

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2008**

**1. Organization and Purpose:**

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

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2008**

**2. Summary of Significant 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. Pledges and Bequests Receivable**

Pledges receivable are recognized as income in the year for which the pledge is made. Pledges and distributions from bequests that are expected to be received within one year are recorded at net realizable value. Pledges and distributions from bequests that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

**h. Land, Building and Equipment**

Land, buildings 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. 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.

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2008**

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

**k. Prior Year Summarized Comparative Information:**

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Seminary's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**l. Expense Allocations**

Directly identifiable expenses are charged to programs and supporting services. Development and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

**m. 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.

**3. Pledges Receivable:**

Pledged commitments consist of one time pledges for annual operating support and pledges in connection with capital campaigns.

Pledges are expected to be received as follows:

In less than one year	\$130,358
In one to five years	<u>583,945</u>
Subtotal	714,303
Less: Allowance for uncollectable pledges	(71,430)
Less: Unamortized discount	<u>(31,540)</u>
Net pledges receivable	<u>\$611,333</u>

**4. Investments:**

The cost and market values of securities as of June 30, 2008 are as follows:

	<b>Cost</b>	<b>Market Value</b>
Cash and cash equivalents	\$ 3,167,034	\$ 3,167,034
Mutual Funds	1,174,364	988,695
Stocks	9,313,189	9,877,286
Bonds	<u>91,016</u>	<u>94,486</u>
Total	<u>\$13,745,603</u>	<u>\$14,127,501</u>

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2008**

**4. Investments:** (Continued)

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

Interest and dividend income	\$	329,653
Investment fees		(100,265)
Realized gains on investments		741,046
Unrealized loss on investments		<u>(2,016,452)</u>
		<u>\$(1,046,018)</u>

**5. Land, Building and Equipment:**

A summary of land, building and equipment as of June 30, 2008 is as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 740,744		\$ 740,744
Land improvements	649,602	\$ 151,035	498,567
Buildings and improvements	19,230,197	4,675,294	14,554,903
Library books and media	1,068,820	801,821	266,999
Furniture and equipment	1,084,579	935,103	149,476
Vehicles	67,264	67,264	
Technology hardware & software	<u>271,239</u>	<u>27,124</u>	<u>244,115</u>
	<u>\$23,112,445</u>	<u>\$6,657,641</u>	<u>\$16,454,804</u>

**6. Mortgages and Loans Payable:**

Mortgage loan secured by Lakeside Student Housing payable in five annual principal repayment tiers, together with interest paid on a monthly basis. The interest rate on the five tiers is fixed at rates that start at 4.66% in the first year and end at 5.74% for year 5. This mortgage loan matures in June 2013. The balance on this loan at June 30, 2008 includes accrued interest of \$13,509.	\$3,617,448
Mortgage loan payable with variable interest at prime. Monthly payments of \$1,830 (interest and principal) are due through March 2017.	155,102
Mortgage loan payable with variable interest at prime. Monthly payments of \$1,992 (interest and principal) are due through March 2017.	168,888
Note payable for purchase of equipment with interest at 9.25%. Monthly payments of \$874 (interest and principal) are due through March 2017.	8,540
Open line of credit for \$500,000 with interest at prime plus 1%.	<u>300,000</u>
	<u>\$ 4,249,978</u>

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2008**

**6. Mortgages and Loans Payable: (Continued)**

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

<b>Year ending June 30,</b>	
2009	\$ 502,407
2010	281,912
2011	383,544
2012	435,260
2013	2,491,004
After 2013	<u>155,851</u>
	<u>\$4,249,978</u>

**7. Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

Time restricted	\$ 350,489
Scholarships	1,087,483
	261,000
Student loans and assistance	10,793
Global ministry grants	8,359
Press grant	47,130
Library	50,725
Other	<u>17,562</u>
	<u>\$1,833,541</u>

**8. 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	\$1,366,661
Public service	128,563
Library	583,656
Student services	162,812
Theological research publications	11,407
Auxiliary enterprises	<u>1,318,165</u>
Total program services	<u>3,571,264</u>
Supporting services:	
General institutional	1,395,553
Development and communications	<u>196,863</u>
Total supporting services	<u>1,592,416</u>
Total expenses	<u>\$5,163,680</u>

**St. Vladimir's Orthodox Theological Seminary**  
**Notes to Financial Statements**  
**June 30, 2008**

**9. 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 \$73,316 in 2008.

(Concluded)