

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

For the Year Ended
June 30, 2004

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

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Lambrides

LAMOS, MOULTHROP LLP
Certified Public Accountants and Consultants

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 as of June 30, 2004 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, 2003 financial statements and, in our report dated October 24, 2003, 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, 2004 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

November 1, 2004

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004

WITH SUMMARIZED DATA FOR 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash and cash equivalents	\$ 48,500	\$ 1,038,175
Accounts receivable (less allowance for doubtful accounts of \$43,181 in 2004 and \$41,459 in 2003)	225,608	215,824
Pledges receivable	908,052	107,705
Prepaid expenses and security deposits	36,263	46,683
Inventory	605,695	574,737
Investments	13,706,862	11,334,795
Investment in property	100,000	100,000
Cash surrender value of life insurance	99,157	92,466
Land, building and equipment (at cost less accumulated depreciation of \$4,370,292 in 2004 and \$3,886,719 in 2003)	<u>12,651,408</u>	<u>12,779,486</u>
Total assets	<u>\$ 28,381,545</u>	<u>\$ 26,289,871</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 88,255	\$ 130,048
Deferred revenue	19,682	14,220
Mortgages payable	417,687	441,986
Annuity and life trust payable	<u>219,403</u>	<u>219,403</u>
Total liabilities	<u>745,027</u>	<u>805,657</u>
Net Assets:		
Unrestricted:		
Net investment in land, building and equipment	\$ 11,900,066	\$ 12,200,605
Board designated long-term investments	5,234,031	3,708,158
Undesignated	<u>1,257,330</u>	<u>1,259,179</u>
Total unrestricted net assets	18,391,427	17,167,942
Temporarily Restricted	2,579,955	1,800,315
Permanently restricted	<u>6,665,136</u>	<u>6,515,957</u>
Total net assets	<u>27,636,518</u>	<u>25,484,214</u>
Total liabilities and net assets	<u>\$ 28,381,545</u>	<u>\$ 26,289,871</u>

See notes to financial statements.

Exhibit A

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004 WITH SUMMARIZED DATA FOR JUNE 30, 2003

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>	
				<u>2004</u>	<u>2003</u>
Income and Releases:					
Tuition and fees	\$ 518,136			\$ 518,136	\$ 435,141
Less scholarship and financial aid	(287,770)			(287,770)	(309,951)
Net tuition and fees	230,366			230,366	125,190
Gifts and grants	1,831,141	\$ 686,805	\$ 145,033	2,662,979	2,342,607
Endowment income		1,157,046		1,157,046	295,551
Investment income	779,616		4,146	783,762	222,858
Subscriptions income	38,426			38,426	35,640
Summer institute income	40,480			40,480	39,039
Auxiliary enterprises	1,378,039			1,378,039	1,341,135
Other income	18,452			18,452	32,930
Total income before net assets released from restrictions	4,316,520	1,843,851	149,179	6,309,550	4,434,950
Net assets released from restrictions :					
Satisfactions of programs restrictions	1,064,211	(1,064,211)		-	-
Total income and releases	5,380,731	779,640	149,179	6,309,550	4,434,950
Expenses:					
Educational and general:					
Instruction	840,926			840,926	828,809
Public service	23,109			23,109	27,757
Library	164,615			164,615	168,987
Student services	64,752			64,752	94,946
Theological research publications	26,656			26,656	22,634
Operation and maintenance of plant	491,520			491,520	493,081
General institutional expense	873,870			873,870	906,210
Auxiliary enterprises	1,149,507			1,149,507	1,175,012
Total expenses	3,634,955	-	-	3,634,955	3,717,436
Change in Net Assets before Depreciation:	1,745,776	779,640	149,179	2,674,595	717,514
Depreciation	(522,291)			(522,291)	(516,355)
Change in Net Assets	1,223,485	779,640	149,179	2,152,304	201,159
Net Assets at Beginning of Year	17,167,942	1,800,315	6,515,957	25,484,214	25,283,055
Net Assets at End of Year	<u>\$18,391,427</u>	<u>\$ 2,579,955</u>	<u>\$ 6,665,136</u>	<u>\$27,636,518</u>	<u>\$25,484,214</u>

See notes to the financial statements

Exhibit B

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
WITH SUMMARIZED DATA FOR JUNE 30, 2003**

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,152,304	\$ 201,159
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	522,291	516,355
Contributions restricted for long-term investment	(1,658,885)	(1,120,431)
Realized and unrealized gains on investments	(1,786,460)	(315,779)
(Increase) decrease in:		
Accounts receivable	(9,784)	(46,583)
Pledges receivable	(800,347)	52,616
Prepaid expenses	10,420	(30,488)
Inventory	(30,958)	114,752
Cash surrender value of life insurance	(6,691)	38,346
Increase (decrease) in:		
Accounts payable	(41,793)	(55,899)
Deferred Revenue	5,462	(5,322)
Net cash used by operating activities	<u>(1,644,441)</u>	<u>(651,274)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(10,470,138)	(9,774,307)
Proceeds from sales of investments	9,884,531	10,311,690
Purchase of property, plant and equipment	<u>(394,213)</u>	<u>(245,124)</u>
Net cash provided (used) by investing activities	<u>(979,820)</u>	<u>292,259</u>
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for:		
Investment in endowment	145,033	423,047
Property, plant and equipment	1,513,852	697,384
Repayment of principal on debt	<u>(24,299)</u>	<u>(22,678)</u>
Net cash provided by financing activities	<u>1,634,586</u>	<u>1,097,753</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(989,675)	738,738
Cash and cash equivalents at Beginning of Year	<u>1,038,175</u>	<u>299,437</u>
Cash and cash equivalents at End of Year	<u>\$ 48,500</u>	<u>\$ 1,038,175</u>
Supplemental Information:		
Interest paid	<u>\$ 17,544</u>	<u>\$ 20,474</u>

See notes to the financial statements

Exhibit C

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

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 THE FINANCIAL STATEMENTS
JUNE 30, 2004**

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. *Land, Building and Equipment*

Land, building 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.

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

2. Accounting Policies: (Continued)

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.

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	\$ 299,050
In one to five years	711,984
In over five years	<u>24,000</u>
Subtotal	1,035,034
Less: Unamortized discount	<u>(126,982)</u>
Net Pledges receivable	<u>\$ 908,052</u>

4. Investments:

The cost and market values of securities as of June 30, 2004 are as follows:

	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	\$ 1,540,607	\$ 1,540,607
Mutual funds	355,010	386,629
Stocks	8,075,159	9,348,457
Bonds	<u>2,408,230</u>	<u>2,431,169</u>
Total	<u>\$12,379,006</u>	<u>\$13,706,862</u>

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

Interest and dividend income	\$ 224,148
Investment fees	(69,800)
Realized gain on investments	918,864
Unrealized gain on investments	<u>867,596</u>
	<u>\$ 1,940,808</u>

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

5. Land, Building and Equipment:

A summary of land, building and equipment as of June 30, 2004, is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 740,744		\$ 740,744
Land improvements	635,282	\$ (86,254)	549,028
Buildings and improvements	13,221,492	(3,033,485)	10,188,007
Library books and media	937,720	(654,550)	283,170
Furniture and equipment	1,085,543	(528,739)	556,804
Vehicles	67,264	(67,264)	-
Construction in progress	333,655		333,655
	<u>\$17,021,700</u>	<u>\$ (4,370,292)</u>	<u>\$12,651,408</u>

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. \$ 199,957

Mortgage loan payable with variable interest at prime. Monthly payments of \$1,915 (interest and principal) are due through March 2017. 217,730
\$417,687

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

Year ending June 30,	
2005	\$ 24,566
2006	25,630
2007	26,741
2008	27,900
2009	29,109
After 2009	<u>283,741</u>
	<u>\$417,687</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, 2004. The interest rate is prime plus 1%. The agreement expires December 2004.

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

8. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Construction projects	\$1,217,730
Quality ministry grant	97,399
Scholarships	1,049,662
Student loans and assistance	9,231
Music tradition grant	98,442
Global ministry grants	36,000
Press Grant	47,130
Other	24,361
	<u>\$2,579,955</u>

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	\$ 1,116,401
Public service	60,875
Library	431,182
Student services	108,364
Theological research publications	31,780
Auxiliary enterprises	<u>1,400,260</u>
Total program services	<u>3,148,862</u>
Supporting services:	
General institutional	567,366
Development and communications	<u>441,018</u>
Total supporting services	<u>1,008,384</u>
Total expenses	<u>\$ 4,157,246</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 2004.

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

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. 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, 2004
WITH SUMMARIZED DATA FOR JUNE 30, 2003**

	<u>OPERATING</u>	<u>RESTRICTED</u>	<u>PLANT</u>	<u>LIFE INCOME TRUSTS</u>	<u>ENDOWMENTS</u>	<u>TOTAL</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
ASSETS:							
Cash and cash equivalents	\$ 48,500				\$ 48,500	\$ 1,038,175	
Accounts receivable (less allowance for doubtful accounts of \$43,181 in 2004 and \$41,459 in 2003.	225,608				225,608	215,824	
Pledges receivable			\$ 908,052		908,052	107,705	
Prepaid expenses and security deposits	36,263				36,263	46,683	
Inventory	605,695				605,695	574,737	
Investments	639,535				13,706,862	11,334,795	
Investments in property			33,333	\$ 194,784	66,667	100,000	
Cash surrender value of life insurance	99,157				99,157	92,466	
Land, building and equipment (at cost less accumulated depreciation of \$4,370,292 in 2004 and \$3,886,719 in 2003)	(356,520)	\$ 325,532	12,651,408	82,046	12,651,408	12,779,486	
Interfund receivable (payable)	\$1,298,238	\$ 325,532	(57,310)	\$ 276,830	\$ 28,381,545	\$ 26,289,871	
Total assets							
LIABILITIES AND NET ASSES:							
Liabilities:							
Accounts payable and accrued expenses	\$ 88,255				\$ 88,255	\$ 130,048	
Deferred revenue	19,682				19,682	14,220	
Mortgages payable			\$ 417,687		417,687	441,986	
Annuity and life trust payable				\$ 219,403	219,403	219,403	
Total liabilities	107,937		417,687	219,403	745,027	805,657	
Net Assets:							
Unrestricted:							
Net investment in land, building and equipment			11,900,066		11,900,066	12,200,605	
Board designated long-term investments				19,623	\$ 5,234,031	3,708,158	
Undesignated	1,190,301				1,257,330	1,259,179	
Total unrestricted net assets	1,190,301		11,900,066	19,623	18,391,427	17,167,942	
Temporarily restricted		\$ 325,532	1,217,730		2,579,955	1,800,315	
Permanently restricted				37,804	6,665,136	6,515,957	
Total net assets	1,190,301	325,532	13,117,796	57,427	27,636,518	25,484,214	
Total liabilities and net assets	\$1,298,238	\$ 325,532	\$ 13,535,483	\$ 276,830	\$ 28,381,545	\$ 26,289,871	