

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

For the Year Ended
June 30, 2005

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, 2005 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, 2004 financial statements and, in our report dated November 1, 2004, 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, 2005 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.

Montclair, NJ
September 20, 2005

Lambrides, Lamos, Moulthrop, LLP

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF JUNE 30, 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 368,145	\$ 48,500
Accounts receivable (less allowance for doubtful accounts of \$61,977 in 2005 and \$43,181 in 2004)	241,009	225,608
Pledges receivable	959,057	908,052
Prepaid expenses and security deposits	24,380	36,263
Inventory	756,437	605,695
Investments	13,627,491	13,706,862
Investment in property	122,122	100,000
Cash surrender value of life insurance	108,016	99,157
Land, building and equipment (at cost less accumulated depreciation of \$4,872,285 in 2005 and \$4,370,292 in 2004)	15,408,783	12,651,408
Total assets	<u>\$ 31,615,440</u>	<u>\$ 28,381,545</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 557,507	\$ 88,255
Deferred revenue	17,249	19,682
Mortgages payable	2,946,601	417,687
Annuity and life trust payable	219,403	219,403
Total liabilities	<u>3,740,760</u>	<u>745,027</u>
Net Assets:		
Unrestricted:		
Net investment in land, building and equipment	\$ 11,502,691	\$ 11,900,066
Board designated long-term investments	5,180,356	5,234,031
Undesignated	1,050,824	1,257,330
Total unrestricted net assets	17,733,871	18,391,427
Temporarily Restricted	2,911,337	2,579,955
Permanently restricted	7,229,472	6,665,136
Total net assets	<u>27,874,680</u>	<u>27,636,518</u>
Total liabilities and net assets	<u>\$ 31,615,440</u>	<u>\$ 28,381,545</u>

See notes to financial statements.

Exhibit A

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>	
				<u>2005</u>	<u>2004</u>
Income and Releases:					
Tuition and fees	\$ 630,154			\$ 630,154	\$ 518,136
Less scholarship and financial aid	<u>(348,667)</u>			<u>(348,667)</u>	<u>(287,770)</u>
Net tuition and fees	281,487			281,487	230,366
Gifts and grants	625,886	\$ 672,429	\$ 564,870	1,863,185	2,637,102
Endowment income		416,239		416,239	1,157,046
Investment income	233,149	12,877	(534)	245,492	783,762
Subscriptions income	36,638			36,638	38,426
Summer institute income	30,491			30,491	40,480
Orthodox Education Day	50,831			50,831	57,011
Auxiliary enterprises	1,447,592			1,447,592	1,378,039
Other income	<u>49,827</u>			<u>49,827</u>	<u>18,452</u>
Total income before net assets released from restrictions	2,755,901	1,101,545	564,336	4,421,782	6,340,684
Net assets released from restrictions :					
Satisfactions of programs restrictions	<u>770,163</u>	<u>(770,163)</u>		<u>-</u>	<u>-</u>
Total income and releases	<u>3,526,064</u>	<u>331,382</u>	<u>564,336</u>	<u>4,421,782</u>	<u>6,340,684</u>
Expenses:					
Educational and general:					
Instruction	918,987			918,987	872,060
Public service	18,678			18,678	23,109
Library	146,305			146,305	164,615
Student services	92,023			92,023	64,752
Theological research publications	24,467			24,467	26,656
Operation and maintenance of plant	552,683			552,683	491,520
General institutional expense	846,111			846,111	873,870
Auxiliary enterprises	<u>1,061,142</u>			<u>1,061,142</u>	<u>1,149,507</u>
Total expenses	<u>3,660,396</u>	<u>-</u>	<u>-</u>	<u>3,660,396</u>	<u>3,666,089</u>
Change in net Assets before Depreciation	(134,332)	331,382	564,336	761,386	2,674,595
Depreciation	<u>(523,224)</u>			<u>(523,224)</u>	<u>(522,291)</u>
Change in Net Assets	(657,556)	331,382	564,336	238,162	2,152,304
Net Assets at Beginning 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>
Net Assets at End of Year	<u>\$17,733,871</u>	<u>\$2,911,337</u>	<u>\$7,229,472</u>	<u>\$27,874,680</u>	<u>\$27,636,518</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, 2005
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 238,162	\$ 2,152,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	523,224	522,291
Contributions restricted for long-term investment	(1,193,277)	(1,658,885)
Realized and unrealized (gains) loss on investments	(448,010)	(1,786,460)
(Increase) decrease in:		
Accounts receivable	(15,401)	(9,784)
Pledges receivable	(51,005)	(800,347)
Prepaid expenses and security deposits	11,883	10,420
Inventory	(150,742)	(30,958)
Investment in property	(22,122)	
Cash surrender value of life insurance	(8,859)	(6,691)
Increase (decrease) in:		
Accounts payable	469,252	(41,793)
Deferred Revenue	(2,433)	5,462
Net cash used by operating activities	<u>(649,328)</u>	<u>(1,644,441)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(10,097,466)	(10,470,138)
Proceeds from sales of investments	10,624,847	9,884,531
Purchase of property, plant and equipment	(3,280,599)	(394,213)
Net cash used by investing activities	<u>(2,753,218)</u>	<u>(979,820)</u>
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for:		
Investment in endowment	564,870	145,033
Property, plant and equipment	628,407	1,513,852
Proceeds from new debt	2,552,344	
Repayment of principal on debt	(23,430)	(24,299)
Net cash provided by financing activities	<u>3,722,191</u>	<u>1,634,586</u>
Net Increase (Decrease) in Cash and Cash Equivalents	319,645	(989,675)
Cash and cash equivalents at Beginning of Year	<u>48,500</u>	<u>1,038,175</u>
Cash and cash equivalents at End of Year	<u>\$ 368,145</u>	<u>\$ 48,500</u>
 Supplemental Information:		
Interest paid - expensed	\$ 33,081	\$ 17,544
Interest paid - capitalized	31,046	-
Total interest paid	<u>\$ 64,127</u>	<u>\$ 17,544</u>

See notes to the financial statements

Exhibit C

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

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. Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

2. Accounting Policies: (Continued)

d. *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.

e. *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.

f. *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.

g. *Inventories*

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

h. *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.

i. *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

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

2. Accounting Policies: (Continued)

j. *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.

k. *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	\$ 329,800
In one to five years	718,575
In over five years	<u>21,100</u>
Subtotal	1,069,475
Less: Unamortized discount	<u>(110,418)</u>
Net Pledges receivable	<u>\$ 959,057</u>

4. Investments:

The cost and market values of securities as of June 30, 2005 are as follows:

	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	\$ 1,805,600	\$ 1,805,600
Mutual funds	338,335	363,444
Stocks	7,985,795	9,193,227
Bonds	<u>2,262,646</u>	<u>2,265,220</u>
Total	<u>\$12,392,376</u>	<u>\$13,627,491</u>

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

4. Investments: (Continued)

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

Interest and dividend income	\$ 296,916
Investment fees	(83,195)
Realized gain on investments	517,269
Unrealized gain on investments	<u>(69,259)</u>
	<u>\$ 661,731</u>

5. Land, Building and Equipment:

A summary of land, building and equipment as of June 30, 2005, is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 740,744		\$ 740,744
Land improvements	649,602	\$ (102,315)	547,287
Buildings and improvements	13,237,297	(3,380,213)	9,857,084
Library books and media	963,804	(687,799)	276,005
Furniture and equipment	1,110,522	(634,694)	475,828
Vehicles	67,264	(67,264)	-
Construction in progress	3,511,835		3,511,835
	<u>\$20,281,068</u>	<u>\$ (4,872,285)</u>	<u>\$ 15,408,783</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. \$ 188,740

Mortgage loan payable with variable interest at prime. Monthly payments of \$1,915 (interest and principal) are due through March 2017. 205,517

Note payable secured by endowment investments for the construction of student housing. The total available credit is \$3,500,000 of which \$947,656 is available to draw from as of June 30, 2005. Upon completion, the note is repayable in monthly principal payments of \$58,333 plus variable interest rate at LIBOR plus 1.9% and is due November 30, 2010.

2,552,344
\$2,946,601

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

6. Mortgage Loans Payable: (Continued)

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

Year ending June 30,	
2006	323,403
2007	537,210
2008	538,369
2009	539,578
2010	540,781
After 2010	467,260
	<u>\$2,946,601</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, 2005. The interest rate is prime plus 1%. The agreement expires December 2005.

8. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Construction projects	\$1,794,508
Scholarships	1,011,507
Student loans and assistance	7,512
Global ministry grants	36,000
Press Grant	47,130
Other	14,680
	<u>\$2,911,337</u>

Continued

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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	\$ 1,210,369
Public service	59,356
Library	429,598
Student services	138,070
Theological research publications	29,836
Auxiliary enterprises	<u>1,326,772</u>
Total program services	<u>3,194,001</u>
Supporting services:	
General institutional	562,613
Development and communications	<u>427,006</u>
Total supporting services	<u>989,619</u>
Total expenses	<u>\$ 4,183,620</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 \$58,291 in 2005.

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 concentration 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 \$382,398 at June 30, 2005.

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, 2005
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF JUNE 30, 2004**

	<u>OPERATING</u>	<u>RESTRICTED</u>	<u>PLANT</u>	<u>LIFE INCOME TRUSTS</u>	<u>ENDOWMENTS</u>	<u>TOTAL</u>
ASSETS:						
Cash and cash equivalents	\$ 368,145					\$ 368,145
Accounts receivable (less allowance for doubtful accounts of and \$61,977 in 2005 \$43,181 in 2004)	241,009		\$ 959,057			241,009
Pledges receivable						225,608
Prepaid expenses and security deposits	24,380					959,057
Inventory	756,437					24,380
Investments						36,263
Investments in property			33,333			756,437
Cash surrender value of life insurance	108,016			\$ 187,820	\$ 13,439,671	13,627,491
Land, building and equipment (at cost less accumulated depreciation of \$4,872,285 in 2005 and \$4,370,292 in 2004)					88,789	122,122
Interfund receivable (payable)	(428,362)	\$ 105,322				108,016
Total assets	\$1,069,625	\$ 105,322	\$ 16,744,654	\$ 265,233	\$ 13,430,606	\$31,615,440
				77,413	(97,854)	12,651,408
						\$28,381,545
LIABILITIES AND NET ASSES:						
Liabilities:						
Accounts payable and accrued expenses	\$ 56,653		\$ 500,854			\$ 557,507
Deferred revenue	17,249					17,249
Mortgages payable			2,946,601			2,946,601
Annuity and life trust payable				\$ 219,403		219,403
Total liabilities	73,902		3,447,455	219,403		3,740,760
Net Assets:						745,027
Unrestricted:						
Net investment in land, building and equipment			11,502,691			11,502,691
Board designated long-term investments					\$ 5,180,356	5,180,356
Undesignated	995,723			8,560	46,541	1,050,824
Total unrestricted net assets	995,723		11,502,691	8,560	5,226,897	17,733,871
Temporarily restricted		\$ 105,322	1,794,508		1,011,507	2,911,337
Permanently restricted				37,270	7,192,202	7,229,472
Total net assets	995,723	105,322	13,297,199	45,830	13,430,606	27,874,680
Total liabilities and net assets	\$1,069,625	\$ 105,322	\$ 16,744,654	\$ 265,233	\$ 13,430,606	\$31,615,440