

**ST. VLADIMIR'S  
ORTHODOX THEOLOGICAL SEMINARY  
FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of St. Vladimir's Orthodox Theological Seminary ("The Seminary") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, the related statements of activities 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 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 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.

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, 2015, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Seminary's 2014 financial statements, and our report dated October 15, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*D'Arcangelo & Co., LLP*

Rye Brook, New York  
October 15, 2015

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

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2015**

**With Summarized Comparative Financial Information as of June 30, 2014**

	2015	2014
<b>ASSETS</b>		
Cash	\$ 4,355	\$ 381,316
Accounts receivable, net of allowance for doubtful accounts of \$104,750 in 2015 and \$126,816 in 2014	233,240	234,103
Pledges receivable, net	232,435	331,949
Prepaid expenses	19,837	52,401
Inventory	802,418	808,307
Investments	13,485,587	13,756,054
Cash surrender value of life insurance	166,198	161,859
Property and equipment, net of accumulated depreciation of \$11,164,260 in 2015 and \$10,581,216 in 2014	12,821,853	13,374,119
Total assets	<u>\$ 27,765,923</u>	<u>\$ 29,100,108</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 439,950	\$ 406,738
Deferred revenue	23,913	15,456
Mortgages and loans payable	2,858,476	2,924,417
Annuity and life trust payable	133,135	138,120
Total liabilities	<u>3,455,474</u>	<u>3,484,731</u>
Net assets:		
Unrestricted:		
Net investment in land, building and equipment	9,963,377	10,954,808
Board designated long-term investments	1,032,548	1,080,560
Undesignated	220,895	220,540
Total unrestricted	11,216,820	12,255,908
Temporarily restricted	3,112,578	3,431,472
Permanently restricted	9,981,051	9,927,997
Total net assets	<u>24,310,449</u>	<u>25,615,377</u>
Total liabilities and net assets	<u>\$ 27,765,923</u>	<u>\$ 29,100,108</u>

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2014**

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
<b>Revenue and reclassifications</b>					
Tuition and fees	\$ 628,391	\$ -	\$ -	\$ 628,391	\$ 605,784
Less scholarships and financial aid	(354,919)	-	-	(354,919)	(296,769)
Net tuition and fees	273,472	-	-	273,472	309,015
Gifts and grants	874,474	788,143	53,054	1,715,671	3,212,153
Endowment and investment income	(34,418)	186,053	-	151,635	1,920,365
Subscription income	17,455	-	-	17,455	16,274
Special events income	12,991	-	-	12,991	250,020
Auxiliary enterprises	1,423,117	-	-	1,423,117	1,499,602
Other income	11,948	-	-	11,948	17,123
Total revenue before net assets released from restriction	2,579,039	974,196	53,054	3,606,289	7,224,552
Reclassifications:					
Satisfaction of program restrictions	1,293,090	(1,293,090)	-	-	-
Total revenue and reclassifications	3,872,129	(318,894)	53,054	3,606,289	7,224,552
<b>Expenses</b>					
Instruction	803,458	-	-	803,458	850,251
Public service	48,173	-	-	48,173	57,896
Library	157,061	-	-	157,061	193,351
Student services	54,068	-	-	54,068	105,717
Theological research publications	13,524	-	-	13,524	19,880
Operation and maintenance of plant	682,487	-	-	682,487	725,664
General institutional expense	1,665,242	-	-	1,665,242	1,908,505
Interest expense	86,378	-	-	86,378	70,596
Auxiliary enterprises	817,781	-	-	817,781	956,903
Total expenses	4,328,172	-	-	4,328,172	4,888,763
Change in net assets before depreciation	(456,043)	(318,894)	53,054	(721,883)	2,335,789
Depreciation	(583,045)	-	-	(583,045)	(589,995)
Change in net assets	(1,039,088)	(318,894)	53,054	(1,304,928)	1,745,794
Net assets, beginning of year	12,255,908	3,431,472	9,927,997	25,615,377	23,869,583
Net assets, end of year	<u>\$11,216,820</u>	<u>\$ 3,112,578</u>	<u>\$ 9,981,051</u>	<u>\$24,310,449</u>	<u>\$ 25,615,377</u>

See notes to financial statements.

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

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2015**

**With Summarized Comparative Financial Information for the Year Ended June 30, 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,304,928)	\$ 1,745,794
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	583,045	589,995
Realized (gain) on investments	(83,808)	(516,397)
Unrealized (gain) on investments	299,548	(1,231,570)
Bad debt expense, student services	7,456	30,621
Bad debt expense, bookstore	7,197	-
Bad debt expense, advancement	121,058	87,749
Discount on pledges receivable	(8,800)	3,800
(Increase) decrease in operating assets:		
Accounts receivable	(13,790)	(7,811)
Pledges receivable	(12,744)	(165,295)
Prepaid expenses	32,564	(3,324)
Inventory	5,889	23,149
Cash surrender value of life insurance	(4,339)	(4,557)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	33,212	43,830
Deferred revenue	8,457	(12,907)
Annuity and life trust payable	<u>(4,985)</u>	<u>(16,484)</u>
Net cash provided by (used in) operating activities	<u>(334,968)</u>	<u>566,593</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	4,999,788	13,132,590
Purchase of investments	(4,945,061)	(13,178,060)
Purchase of property and equipment	<u>(30,779)</u>	<u>(53,171)</u>
Net cash provided by (used in) investing activities	<u>23,948</u>	<u>(98,641)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from debt	2,785,098	-
Repayment of principal debt	<u>(2,851,039)</u>	<u>(122,186)</u>
Net cash (used in) financing activities	<u>(65,941)</u>	<u>(122,186)</u>
Net increase (decrease) in cash	(376,961)	345,766
Cash, beginning of year	<u>381,316</u>	<u>35,550</u>
Cash, end of year	<u><u>\$ 4,355</u></u>	<u><u>\$ 381,316</u></u>
<b>Supplementary information:</b>		
Total interest paid	\$ 88,387	\$ 70,881

See notes to financial statements.

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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **Organization, nature of activities and tax-exempt status**

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 two-fold mission is to adequately prepare educated clergy and leaders to service the Orthodox faithful in this country and abroad, and to promote study and research in Orthodox theology, history and culture.

The Seminary is a not-for-profit corporation organized under the not-for-profit laws of New York State, and chartered as an education corporation by the Education Department of the State of New York. The Seminary has been determined to be an organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar state provisions. The Seminary has also been classified as an entity that is not a private foundation within the meaning of IRC Section 509(a) thereby qualifying for the receipt of deductible contributions as provided in IRC Section 170. The Seminary is not required to file an IRS annual form 990 and related State forms.

#### **Basis of accounting**

The accounting and reporting policies of The Seminary conform to accounting principles generally accepted in the United States of America ("GAAP").

#### **Basis of financial statement presentation and classification of net assets**

The financial statements of The Seminary have been prepared on the accrual basis of accounting, in accordance with GAAP for not-for-profit organizations. The net assets of The Seminary and changes therein are classified and reported as follows:

##### **Net assets**

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

**Unrestricted net assets** - Net assets that 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

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

**Net assets (continued):**

**Temporarily restricted net assets** - Net assets 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 because of the passage of time. Expiration 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** - Net assets 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 Seminary to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

**Accounts receivable**

The Seminary has established an allowance for doubtful accounts to provide for potential losses in the various receivable accounts. The allowances for doubtful accounts is established through a provision for losses charged to expense. Receivables are charged against the allowance when management believes that collectibility 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.

Activity in the allowance for doubtful accounts is as follows:

	Tuition receivable	Press/Book store receivable	Total
Balance, beginning of year	\$ 107,294	\$ 19,522	\$ 126,816
Direct charge-offs/recoveries	(36,719)	-	(36,719)
Provision for bad debts	7,456	7,197	14,653
	<u>\$ 78,031</u>	<u>\$ 26,719</u>	<u>\$ 104,750</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **Revenue and expense recognition**

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

#### **Deferred revenue**

Deferred revenue results from The Seminary recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school term are deferred until the instruction commences.

#### **Prepaid expenses**

Prepaid expenses represent payments made by The Seminary for which benefits extend beyond year end.

#### **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.

#### **Cash equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as cash on deposit, cash on hand and certificates of deposits with original maturities less than three months (if any) at the time The Seminary purchased the financial instrument and which are not designated as held for investment. The Seminary does not currently have any cash equivalents that are not included in investments.

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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **Investment valuation and income recognition**

Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are reported at fair value. 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 Seminary's management determines the valuation policies utilizing information provided by the investment advisers and custodians. See note 6 for a discussion on 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 gains and losses on investments bought and sold as well as held during the year.

Donated investments are reflected as contributions at their fair values at date of receipt.

#### **Endowment investment and spending policies**

The Seminary maintains various donor-restricted and board designated funds whose purpose is to provide long-term support for its programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, 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 Board has 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 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, 2015**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Board's interpretation of State law.

#### **Inventory**

The Seminary's bookstore inventory is stated at the lower of cost or market, determined by the first-in, first-out method.

#### **Pledges receivable**

Pledges receivable are recognized as income in the year made. Pledges and distributions of 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.

#### **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.

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Property and equipment (continued)**

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 fiscal 2015.

**Scholarships and financial aid**

Gross tuition and fees reflect The Seminary's normal tuition rates for all students. Scholarships and financial aid are netted against gross tuition and fees.

**Charitable gift annuities and charitable remainder unitrust**

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 2.0% to 9.0%. One annuitant has stipulated a payout of 50% of the contributed asset account balance to an unrelated third party, after death, in the event there remain enough funds in the investment asset account to make such a payout. During the fiscal year ended June 30, 2015, no such excess funds payout was required.

**Prior year summarized comparative information**

The financial statements include certain prior year summarized comparative information in total but not by asset class or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with The Seminary's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **Donated material 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.

#### **Expense allocation**

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.

#### **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 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.

#### **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.

### **2. CONCENTRATIONS:**

Financial instruments that potentially subject The Seminary to concentrations of credit risk consist principally of temporary cash investments, pledges receivable, and investment securities. The Seminary places its temporary cash investments with major financial institutions. From time to time throughout the year, cash balances can exceed the Federal Deposit Insurance Corporation (FDIC) coverage. Management believes that it is not exposed to any significant risk with respect to these accounts.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**2. CONCENTRATIONS (continued):**

Management believes the concentrations of credit risk with respect to pledges receivable is minimal due to the large number of contributors comprising The Seminary's contributor base and their dispersion across different industries and geographic areas.

The Seminary invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments 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 statement of financial position.

**3. PLEDGES RECEIVABLE:**

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

Pledges receivable are summarized as follow:

Due in less than one year	\$ 178,435
Due in one to five years	124,000
	<hr/> 302,435
Less: Allowance for uncollectable pledges	(60,000)
Less: Unamortized discount	(10,000)
	<hr/>
Pledges receivable, net	<u>\$ 232,435</u>

A discount rate of 3% was used to determine the net present value of pledges receivable due in more than one year.

Activity in the allowance for uncollectible pledges is as follows:

Balance, beginning of year	\$ 30,000
Direct charge-offs	(91,058)
Provision for uncollectible pledges	121,058
	<hr/>
Allowance for uncollectible pledges	<u>\$ 60,000</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**4. INVESTMENTS:**

The cost and fair values of investments as of June 30, 2015 are as follows:

	Cost	Fair value	Unrealized gain (loss)
Money market funds	\$ 190,676	\$ 190,676	\$ -
Mutual funds	4,996,520	4,556,990	(439,530)
Corporate equity securities	6,878,386	7,000,972	122,586
Corporate bonds	1,241,014	1,233,439	(7,575)
Other	478,539	503,510	24,971
Total	<u>\$ 13,785,135</u>	<u>\$ 13,485,587</u>	<u>\$ (299,548)</u>

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

Interest and dividend income	\$ 491,628
Investment fees	(124,253)
Realized gain on investments	83,808
Net change in unrealized value of investments	<u>(299,548)</u>
	<u>\$ 151,635</u>

Over the last several years, the overall markets for the above securities fluctuated as a result of strained United States and global credit markets. Due to the recent volatility of the markets and the intent to hold assets, recognition of any temporary impairment of these investments is not necessary.

Current and prior year investments realized and unrealized gains and losses are reported in the statement of activities.

**5. ENDOWMENT FUNDS:**

The Seminary's investment and spending policies are based on the requirements of the New York State Uniform Management of Institutional Funds Act (UMIFA). As a result of The Seminary's interpretation of UMIFA, and in accordance with donor restrictions, contributions to the endowment fund were classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate; income from the fund is classified with temporarily restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the temporarily restricted net assets are reclassified to unrestricted net assets.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### 5. ENDOWMENT FUNDS (continued):

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Donor restricted endowment funds	\$ -	\$ 3,112,578	\$ 9,981,051	\$ 13,093,629
Board designated endowment funds	214,770	-	-	214,770
	<u>\$ 214,770</u>	<u>\$ 3,112,578</u>	<u>\$ 9,981,051</u>	<u>\$ 13,308,399</u>

The following is a reconciliation of the activity in the Endowment funds for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment funds
Balance, beginning of year	\$ 1,011,311	\$ 3,431,472	\$ 9,927,997	\$ 14,370,780
Contributions	874,474	788,143	53,054	1,715,671
Investment income	(34,418)	186,053	-	151,635
Amount appropriated for expenditure	(1,158,069)	(1,232,444)	-	(2,390,513)
Amount appropriated for debt reduction	(478,528)	(60,646)	-	(539,174)
Balance, end of year	<u>\$ 214,770</u>	<u>\$ 3,112,578</u>	<u>\$ 9,981,051</u>	<u>\$ 13,308,399</u>

### 6. 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 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Seminary has the ability to access.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**6. FAIR VALUE MEASUREMENTS (continued):**

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;
- inputs other 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 June 30, 2015.

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

*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.

*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 value (NAV) and to transact at that price. The mutual funds held by The Seminary are deemed to be actively traded.

# ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### 6. FAIR VALUE MEASUREMENTS (continued):

*Cash surrender value of life insurance:* Valued by the insurance company at the actuarial present value of the non-forfeiture future guaranteed benefits provided by the policy.

*Annuity and life trust payable:* 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 following table sets forth by level, within the fair value hierarchy, the Seminary's assets at fair value on a recurring basis as of June 30, 2015.

		Assets at fair value as of June 30, 2015		
Description	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash equivalents included in investments	\$ 190,676	\$ 190,676	\$ -	\$ -
Corporate bonds	1,233,439	-	1,233,439	-
Corporate equity securities	7,000,972	7,000,972	-	-
Mutual funds	4,556,990	4,556,990	-	-
Other investments	503,510	-	503,510	-
Cash surrender value of life insurance	166,198	-	166,198	-
Total assets	<u>\$ 13,651,785</u>	<u>\$ 11,748,638</u>	<u>\$ 1,903,147</u>	<u>\$ -</u>
<b>Liability:</b>				
Annuity and life trust payable	\$ 133,135	\$ -	\$ 133,135	\$ -

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**7. PROPERTY AND EQUIPMENT:**

A summary of property and equipment as of June 30, 2015 is as follows:

	Cost	Accumulated depreciation	Net
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	264,715	384,887
Building and improvements	19,693,315	8,204,515	11,488,800
Library books and media	1,352,902	1,154,178	198,724
Furniture and equipment	1,420,592	1,420,592	-
Vehicles	128,958	120,260	8,698
	<u>\$ 23,986,113</u>	<u>\$ 11,164,260</u>	<u>\$ 12,821,853</u>

Depreciation expense for the year ended June 30, 2015 amounted to \$583,045.

**8. MORTGAGES AND LOANS PAYABLE**

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2015) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017. \$ 35,128

Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2015) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017. 38,250

An open ended loan with RBC Capital Markets, with no fixed maturity date. Interest is at 3% below the RBC Capital Markets, LLC base lending rate (2.0% at June 30, 2015) secured by the value of a specified investment account at RBC Bank. 2,785,098

\$ 2,858,476

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**8. MORTGAGES AND LOANS PAYABLE (continued):**

Principal payments on mortgages and loans for the succeeding years are as follows for the year ending June 30:

2016	\$ 2,826,137
2017	<u>32,339</u>
	<u>\$ 2,858,476</u>

**9. FUNCTIONAL CLASSIFICATION OF EXPENSES:**

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

Program services:	
Instruction	\$ 1,160,967
Public service	106,704
Library	467,277
Student services	115,085
Theological research publications	14,096
Auxiliary enterprises	<u>1,217,421</u>
Total program services	<u>3,081,550</u>
Supporting services:	
General institutional	1,070,770
Development and communications	<u>758,897</u>
Total supporting services	<u>1,829,667</u>
Total expenses	<u>\$ 4,911,217</u>

**10. RETIREMENT PLAN:**

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**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 8% of each employee's salary, and the employee contributes 6%. The retirement benefit costs charged to expense amounted to \$123,846 in 2015.

Information as to the portion of accumulated pension plan benefits and plan assets is not reported separately by the Church's sponsored pension plan. A contingent liability may exist because an employer under the Employee Retirement Income Security Act, upon withdrawal from a multi-employer defined benefit plan, is required to continue to pay its proportionate share of the plan's unfunded vested benefits, if any. The liability under this provision has not been determined; however, The Seminary has no intention of withdrawing from the plan.

**11. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 15, 2015, which is the date the financial statements are available for issuance.