ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Financial Statements
With Independent Auditors' Report

June 30, 2017

CAPINCROUSE LLP

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of St. Vladimir's Orthodox Theological Seminary, which comprise the statement of financial position as of June 30, 2017, and 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.

Auditors' 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, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
As described in Note 12 of the financial statements, a misstatement of previously reported net assets as of June 30, 2016, was identified during the current year. Accordingly, a retrospective adjustment has been made to net assets. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

New York, New York
Februray 9, 2018

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ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Financial Position
June 30, 2017

ASSETS:		
Cash and cash equivalents	$	133,128
Accounts receivable, net		212,831
Prepaid expenses		30,296
Inventory		874,961
Pledges receivable, net		247,542
Assets held for sale		161,950
Investments		11,822,750
Cash surrender value of life insurance		185,471
Property and equipment-net		11,473,886
Total Assets	$	25,142,815
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$	326,131
Deferred revenue		95,406
Annuity and life trust payable		111,270
Total liabilities		532,807
Net assets:		
Unrestricted:		
Net investment in property and equipment		11,473,886
Board designated quasi-endowments		1,120,678
Undesignated (deficit)		(2,889,521)
Total unrestricted		9,705,043
Temporarily restricted		3,210,279
Permanently restricted		11,694,686
Total net assets		24,610,008
Total Liabilities and Net Assets	$	25,142,815

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, SUPPORT AND RECLASSIFICATIONS:				
Tuition and fees	$ 801,889	$ -	$ -	$ 801,889
Less: scholarships and financial aid	(464,047)	-	-	(464,047)
Net tuition and fees	337,842	-	-	337,842
Contributions and grants	2,077,428	479,120	504,000	3,060,548
Endowment and investment income	170,135	1,249,569	-	1,419,704
Auxiliary enterprises	1,401,225	-	-	1,401,225
Other income	54,500	-	-	54,500
Total revenue and support	4,041,130	1,728,689	504,000	6,273,819
Net assets released from restrictions	460,046	(460,046)	-	-
Total Revenue, Support, and Reclassifications	4,501,176	1,268,643	504,000	6,273,819
EXPENSES:				
Instruction	734,473	-	-	734,473
Public service	70,363	-	-	70,363
Library	173,696	-	-	173,696
Student services	69,633	-	-	69,633
Theological research publications	19,788	-	-	19,788
Operation and maintenance of plant	624,783	-	-	624,783
General institutional expense	1,306,502	-	-	1,306,502
Auxiliary enterprises	1,041,548	-	-	1,041,548
Interest expense	14,785	-	-	14,785
Depreciation	657,516	-	-	657,516
Total Expenses	4,713,087	-	-	4,713,087
Change in Net Assets	(211,911)	1,268,643	504,000	1,560,732
Net Assets, Beginning of Year:				
As previously reported	10,748,605	2,196,660	10,104,011	23,049,276
Prior period adjustment (Note 12)	(831,651)	(255,024)	1,086,675	-
As restated	9,916,954	1,941,636	11,190,686	23,049,276
Net Assets, End of Year	$ 9,705,043	$ 3,210,279	$ 11,694,686	$ 24,610,008

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 1,560,732
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	657,516
Realized and unrealized gain on investments	(1,170,500)
Bad debt expense, bookstore	12,950
Bad debt expense, advancement	10,000
Contributions restricted for endowments	(504,000)
Changes in:	
Accounts receivable	(19,753)
Prepaid expenses	(17,795)
Inventory	496
Pledges receivable	(143,421)
Cash surrender value of life insurance	(11,794)
Accounts payable and accrued expenses	(15,204)
Deferred revenue	(53,225)
Annuity and life trust payable	3,849
Net Cash Provided By Operating Activities	309,851
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(11,919,234)
Proceeds from maturity or sale of investments	13,742,606
Purchase of property and equipment	(32,654)
Net Cash Provided By Investing Activities	1,790,718
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from contributions restricted for endowments	504,000
Payments to annuitants	(20,641)
Proceeds from new debt	31,628
Repayment of debt principal	(2,488,237)
Net Cash Used By Financing Activities	(1,973,250)
Change in Cash and Cash Equivalents	127,319
Cash and Cash Equivalents, Beginning of Year	5,809
Cash and Cash Equivalents, End of Year	$ 133,128
SUPPLEMENTAL INFORMATION:	
Cash paid for interest–none capitalized	$ 14,785

See notes to financial statements

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

1. NATURE OF ORGANIZATION:

St. Vladimir's Orthodox Theological Seminary (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 serve the Orthodox faithful in this country and abroad, and to promote study and research in Orthodox theology, history and culture. The Seminary's primary sources of revenue are tuition and related fees, charitable contributions, investment earnings and income from auxiliary enterprises.

The Seminary is a not-for-profit corporation organized under the not-for-profit laws of the State of New York, 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 (Code) and similar state provisions. The Seminary has also been classified as an entity that is not a private foundation under Section 509(a) of the Code, thereby qualifying for the receipt of deductible contributions as provided in the Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The financial statements of the Seminary have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires management to make estimates and assumptions that affect the 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. The significant accounting policies followed are described below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on deposit, cash on hand and all highly liquid investments purchased with original maturities of three months or less. These accounts, at times, exceed federally insured limits. The Seminary has not experienced any losses on these accounts, nor does it believe it is exposed to significant risk.

ACCOUNTS RECEIVABLE

Accounts receivable primarily represents the balance of student tuition charges and other miscellaneous charges owed to the Seminary, as well as balances owed by customers on press/bookstore sales. The Seminary has established an allowance for doubtful accounts to provide for potential losses in the various receivable accounts. The allowances for doubtful accounts are established through a provision for losses and charged to expense. Receivables are charged against the allowance when management believes that collection 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. Accounts receivable as of June 30, 2017, amounted to $163,505 and $127,268 for student tuition and press/bookstore sales, respectively. Allowances for doubtful accounts as of June 30, 2017, amounted to $50,565 and $27,377 for student tuition receivables and press/bookstore sales receivables, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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

PLEDGES RECEIVABLE
Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges that are expected to be collected 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.

ASSETS HELD FOR SALE
Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as being met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets designated as held for sale are recorded at the lower of carrying amount at the time the classification as held for sale was made or fair value less costs to sell. Depreciation is not charged against property and equipment classified as held for sale.

As of June 30, 2017, assets held for sale consist of two residential properties owned by the Seminary with carrying amounts of $139,978 and $21,972, respectively, and were previously carried in property and equipment on the statement of financial position.

INVESTMENTS
Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are reported at fair value, which is determined using published exchange market quotations where applicable and using estimated market value when no ready market exists. Estimated market value is based on expected future cash flows. Donated investments are initially reported at fair value on the date of the gift and then reported at fair value at the end of each year. Unrealized gains and losses are included in unrestricted endowment and investment income in the statement of activities unless a donor restriction or state law temporarily or permanently restricts their use.

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. Expenditures for maintenance and repairs are expensed as incurred. Donated property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT, continued
Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

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

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 2017.

DEFERRED REVENUE
Deferred revenue results from the Seminary recognizing tuition and fee revenue in the period in which the related educational instruction is performed. Accordingly, tuition and fees received for the next school term are deferred until the instruction commences. For school terms that span from one fiscal year to the next, tuition and fee revenue is deferred ratably.

ANNUITY AND LIFE TRUST PAYABLE
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%. Annuity and life trust distributions amounted to $20,641 for the year ended June 30, 2017.

FAIR VALUE MEASUREMENTS
The Seminary follows the updated provisions of the *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The following disclosure of estimated fair value of financial instruments is made in accordance with the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS, continued

Level 1–Inputs are quoted prices (unadjusted) in active markets for identical investments that the Seminary has the ability to access at the measurement date.

Level 2–Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3–Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Seminary uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Seminary measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used for the year ended June 30, 2017.

Corporate equity securities and exchange traded funds
Valued at the closing price reported on the active market on which the individual securities are traded.

Government and agency bonds
Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basic value on yields currently available on comparable securities with issuers of similar credit ratings.

Mutual funds
Valued at the daily closing price as reported by the fund and quoted in active markets.

CLASSES OF NET ASSETS
The financial statements report amounts separately by class of net assets. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets are those that are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Seminary to utilize funds in furtherance of its mission.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

Temporarily restricted net assets are those 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 by the passage of time. Expiration of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Permanently restricted net assets are those that are subject to donor-imposed restrictions that will never lapse, thus requiring the funds to 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.

REVENUE AND EXPENSES

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. The Seminary reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. 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.

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. There were no such donations during the year ended June 30, 2017.

Directly identifiable expenses are charged to programs and supporting services. General institutional and development and communications expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Seminary.

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.

3. PLEDGES RECEIVABLE:
Pledges receivable consist of the following:

Due in less than one year	$	77,926
Due in one to five years		193,283
		271,209
Less: Allowance for uncollectible pledges		(10,000)
Less: unamortized discount		(13,667)
	$	247,542

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

4. INVESTMENTS:
Investments consist of the following:

Money market funds	$	85,960
Equity securities		2,528,625
Mutual funds		4,195,932
Exchange traded funds		4,494,392
Government and agency bonds		25,801
Other investments		492,040
	$	11,822,750

Endowment and investment income consists of the following:

Interest and dividends	$	322,972
Realized gains		310,879
Unrealized gains		859,621
Investment fees		(73,768)
	$	1,419,704

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 investment 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 statements of financial position and activities.

5. FAIR VALUE MEASUREMENTS:

The following table sets forth by level, within the fair value hierarchy, the Seminary's assets at fair value measured on a recurring basis.

		Fair Value Disclosure		
	Fair Value	Level 1	Level 2	Level 3
Investments measured using hierarchical valuation techniques:				
Money market funds held in brokerage accounts	$ 85,960	$ 85,960	$ -	$ -
Equity securities	2,528,625	2,528,625	-	-
Mutual funds	4,195,932	4,195,932	-	-
Exchange traded funds	4,494,392	4,494,392	-	-
Government and agency bonds	25,801	25,801	-	-
	11,330,710	11,330,710	-	-
Investments measured at net asset value:				
Limited partnership	492,040	-	-	-
	$ 11,822,750	$ 11,330,710	$ -	$ -

The Seminary uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with measurement principles of an investment company or have attributes of an investment company. The Seminary is invested in one fund measured at NAV as of June 30, 2017:

Strategy	NAV in fund	Remaining life	Redemption terms / restrictions
Limited partnership focusing on investments in natural resources	$ 492,040	5.5 years	N/A - this fund is in a partnership structure with no ability to redeem.

6. PROPERTY AND EQUIPMENT:

Property and equipment are summarized as follows:

Land	$	698,340
Land improvements		649,602
Building and improvements		19,067,836
Library books and media		1,366,626
Furniture and equipment		876,362
Vehicles		61,695
		22,720,461
Less: accumulated depreciation		(11,246,575)
	$	11,473,886

Depreciation expense for the year ended June 30, 2017, amounted to $657,516.

7. COMMITMENTS:

The Seminary has available an open ended loan with its primary brokerage, with no fixed maturity date. Interest on any outstanding balances is at 3% below the brokerage's base lending rate. The loan is secured by the value of a specified investment account at the brokerage. There were no outstanding borrowings on this loan as of June 30, 2017.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

Purpose restrictions:		
Scholarship and student aid funds	$	64,207
Unappropriated endowment earnings, restricted for scholarships, student aid, general operations and other purposes		2,776,901
Other restricted purposes		121,629
		2,962,737
Time restrictions:		
Pledges receivable, net		247,542
	$	3,210,279

Release from restrictions consists of the following:

Purpose restrictions:		
Scholarship and student aid funds	$	121,508
Endowment appropriations for expenditure		338,538
	$	460,046

9. ENDOWMENT FUNDS:

The Seminary maintains various donor-restricted and board designated funds whose purpose is to provide long-term support for its programs. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as specified in the summary of Significant Accounting Policies outlined in these notes.

In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Seminary looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. The Seminary classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Seminary. The Seminary considers the following factors in making a determination to appropriate or accumulate donor restricted funds:

(1) The duration and preservation of the fund
(2) The purposes of the Seminary and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Seminary
(7) The investment policies of the Seminary

ENDOWMENT INVESTMENT AND SPENDING POLICIES

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.

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 Seminary's interpretation of State law.

9. ENDOWMENT FUNDS, continued:

Endowment net assets by type of fund as of June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,702,835	$ 11,694,686	$ 14,397,521
Board-designated quasi-endowment funds	1,120,678	74,066	-	1,194,744
	$ 1,120,678	$ 2,776,901	$ 11,694,686	$ 15,592,265

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 1,397,543	$ 1,791,804	$ 11,190,686	$ 14,380,033
Contributions	-	74,066	504,000	578,066
Investment income, net	138,958	1,249,569	-	1,388,527
Appropriations from donor-designated endowment funds	-	(338,538)	-	(338,538)
Appropriations from board-designated quasi-endowment funds	(415,823)	-	-	(415,823)
	(276,865)	985,097	504,000	1,212,232
Endowment net assets - end of year	$ 1,120,678	$ 2,776,901	$ 11,694,686	$ 15,592,265

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Seminary to retain as a fund of perpetual duration. As of June 30, 2017, there were 35 individual donor-restricted endowment funds for which the fair value of assets allocated to the funds was below the level that the donor requires the Seminary to retain as a fund of perpetual duration by a total of $894,111. The primary reason for the deficits is internal borrowing by the Seminary from endowment assets to fund debt repayment and prior years operating deficits. The effect of internal borrowing on endowment assets as of June 30, 2017, is as follows:

Endowment net assets	$ 15,592,265
Less: cumulative internal borrowing from endowments for:	
Debt repayment	(2,639,503)
Operating deficits	(1,176,160)
Fair value of endowment assets	$ 11,776,602

10. FUNCTIONAL ALLOCATION OF EXPENSES:

Allocation of expenses across program and supporting services are as follows:

Program services:	
Instruction	$ 1,061,268
Public service	126,172
Library	470,164
Student services	127,386
Theological research publications	20,778
Auxiliary enterprises	1,428,478
	3,234,246
Supporting services:	
General institutional	994,952
Development and communications	483,889
	1,478,841
Total expenses	$ 4,713,087

11. MULTIPLE EMPLOYER PENSION PLAN:

The Seminary participates in the Orthodox Church in America Pension Plan (the "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%. Substantially all full-time employees participate in the Plan. This multi-employer plan, administered by the pension board of the Orthodox Church in America, is a contributory plan, and provides defined benefits based on years of service and remuneration near retirement. The risks of participating in this multi-employer plan differ from single-employer plans in the following aspects:

a) Assets contributed to the Plan by one employer may be used to provide benefits to employees of other participating employers;
b) If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers;
c) If the Seminary chooses to stop participating in the Plan, it may be required to pay to the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

Full-time employees are eligible to participate in the Plan on the first day of the month after their date of hire. Participants with five years of services are entitled to pension benefits upon retirement. Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities, including a lump-sum payment option. Pension expense, representing the Seminary's required contribution to the Plan, was $108,969 for the year ended June 30, 2017. The contribution made by the Seminary represented approximately 4.6% of the total contributions made to the Plan. To the extent the Plan is underfunded, future contributions to the Plan may increase. The Seminary has no intention of withdrawing from the plan.

11. MULTIPLE EMPLOYER PENSION PLAN, continued:

The Plan is a non-electing church plan which means the Plan sponsor has not elected to be covered by the terms of the Employee Retirement Income Security Act of 1974 (ERISA), and is not required to file Form 5500. The Plan's fiscal year is from January 1 to December 31. The most recent available data from the Plan is for the Plan year ended December 31, 2016. Information as to the portion of accumulated pension plan benefits and plan assets is not reported separately by the Church's sponsored pension plan.

Contributions from all employers to the Plan for the 2016 Plan year are as follows:

Pension fund:	FEIN	2016
Orthodox Church in America Pension Plan	06-1455789	$ 2,353,912

As of the Plan year ending December 31, 2016, the Plan's total net assets available for benefits were $23,698,253, and the actuarial present value of accumulated Plan benefits was $49,211,285. As of the Plan year ending December 31, 2016, the Plan was less than 65% funded.

12. PRIOR-PERIOD ADJUSTMENT:

During the year ended June 30, 2017, the Seminary identified errors in the reporting of net assets. The prior-period adjustment resulted from misclassified donor restricted permanent endowment funds. As a result, the following summarizes the adjustments made to each class of net assets as of the beginning of the earliest period presented in these financial statements:

	June 30, 2016		
	As Previously Stated	Adjustment	As Restated
Unrestricted net assets	$ 10,748,605	$ (831,651)	$ 9,916,954
Temporarily restricted net assets	2,196,660	(255,024)	1,941,636
Permanently restricted net assets	10,104,011	1,086,675	11,190,686
	$ 23,049,276	$ -	$ 23,049,276

Had these adjustments been reflected in the financial statements for the year ended June 30, 2016, they would have had the following affect on change in net assets for the year then ended:

	Year Ended June 30, 2016		
	As Previously Stated	Adjustment	As Restated
Unrestricted net assets	$ (468,215)	$ (256,782)	$ (724,997)
Temporarily restricted net assets	(915,918)	256,782	(659,136)
Permanently restricted net assets	122,960	-	122,960
	$ (1,261,173)	$ -	$ (1,261,173)

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through February 9, 2018, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.