

**ST. VLADIMIR'S
ORTHODOX THEOLOGICAL SEMINARY
FINANCIAL STATEMENTS
JUNE 30, 2011**

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
Crestwood, New York

We have audited the accompanying statement of financial position of St. Vladimir's Orthodox Theological Seminary ("The Seminary"), (a nonprofit organization) as of June 30, 2011, 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 Seminary's June 30, 2010 financial statements and, in our report dated September 15, 2010; 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

D'Arcangelo & Co., LLP

Rye Brook, New York

October 14, 2011

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

With Summarized Comparative Financial Information as of June 30, 2010

	2011	2010
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 50,964	\$ 72,509
Restricted cash	-	1,602,550
Accounts receivable, net of allowance for doubtful accounts of \$109,417 in 2011 and \$97,833 in 2010	266,933	296,951
Bequest receivable	371,330	371,330
Pledges receivable, net	342,368	398,553
Prepaid expenses	44,104	32,840
Inventory	893,239	919,829
Investments	12,169,550	10,230,478
Investment in property	122,122	122,122
Cash surrender value of life insurance	145,037	140,307
Property and equipment, net of accumulated depreciation of \$8,700,976 in 2011 and \$8,004,292 in 2010	<u>14,972,485</u>	<u>15,464,475</u>
Total assets	<u><u>\$ 29,378,132</u></u>	<u><u>\$ 29,651,944</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 336,967	\$ 292,385
Deferred revenue	30,387	49,773
Mortgages and loans payable	2,676,685	4,230,985
Annuity and life trust payable	<u>152,357</u>	<u>168,394</u>
Total liabilities	<u>3,196,396</u>	<u>4,741,537</u>
Net assets:		
Unrestricted		
Net investment in land, building and equipment	11,165,382	11,621,400
Board designated long-term investments	1,177,125	2,884,780
Undesignated	<u>2,653,965</u>	<u>(1,276,013)</u>
Total unrestricted	14,996,472	13,230,167
Temporarily restricted	1,461,995	2,111,377
Permanently restricted	<u>9,723,269</u>	<u>9,568,863</u>
Total net assets	<u>26,181,736</u>	<u>24,910,407</u>
Total liabilities and net assets	<u><u>\$ 29,378,132</u></u>	<u><u>\$ 29,651,944</u></u>

See notes to financial statements.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

With Summarized Comparative Financial Information for the Year Ended June 30, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	2011 Total	2010 Total
Revenue and reclassifications					
Tuition and fees	\$ 598,080	\$ -	\$ -	\$ 598,080	\$ 686,188
Less scholarship and financial aid	(238,594)	-	-	(238,594)	(236,059)
Net tuition and fees	359,486	-	-	359,486	450,129
Gifts and grants	1,088,034	20,598	154,406	1,263,038	1,229,715
Endowment income	1,134,045	1,453,620	-	2,587,665	1,220,085
Investment income	85,341	-	-	85,341	88,360
Subscriptions income	9,695	-	-	9,695	32,143
Summer institute income	43,105	-	-	43,105	49,557
Auxiliary enterprises	1,322,416	-	-	1,322,416	1,434,423
Other income	19,849	-	-	19,849	13,837
Total revenue before net assets released from restriction	4,061,971	1,474,218	154,406	5,690,595	4,518,249
Reclassifications:					
Satisfaction of program restrictions	2,123,600	(2,123,600)	-	-	-
Total revenue and reclassifications	6,185,571	(649,382)	154,406	5,690,595	4,518,249
Expenses					
Instruction	763,054	-	-	763,054	657,420
Public service	50,770	-	-	50,770	38,816
Library	126,062	-	-	126,062	120,443
Student services	79,623	-	-	79,623	85,587
Theological research publications	16,183	-	-	16,183	20,937
Operation and maintenance of plant	633,696	-	-	633,696	580,252
General institutional expense	1,207,981	-	-	1,207,981	1,222,534
Interest expense	103,944	-	-	103,944	120,226
Auxiliary enterprises	741,270	-	-	741,270	756,035
Total expenses	3,722,583	-	-	3,722,583	3,602,250
Change in net assets before depreciation	2,462,988	(649,382)	154,406	1,968,012	915,999
Depreciation	(696,683)	-	-	(696,683)	(700,953)
Change in net assets	1,766,305	(649,382)	154,406	1,271,329	215,046
Net assets, beginning of year	13,230,167	2,111,377	9,568,863	24,910,407	24,695,361
Net assets, end of year	\$ 14,996,472	\$ 1,461,995	\$ 9,723,269	\$ 26,181,736	\$ 24,910,407

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011

With Summarized Comparative Financial Information for the Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,271,329	\$ 215,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	696,683	700,953
Realized (gain) loss on investments	(797,373)	(631,136)
Unrealized (gain) loss on investments	(1,784,562)	(580,662)
Value of donated book publications	-	(134,671)
Bad debt reserve-bookstore receivable	(11,584)	(4,714)
Bad debt reserve-pledges receivable	(3,062)	55,064
Discount on pledges receivable	(2,979)	(1,757)
(Increase) decrease in operating assets:		
Accounts receivable	41,602	(119,132)
Pledges receivable	59,247	57,633
Prepaid expenses	(11,264)	(4,395)
Inventory	26,590	87,272
Cash surrender value of life insurance	(4,730)	(8,287)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	44,582	17,090
Deferred revenue	(19,386)	38,608
Annuity and life trust payable	(16,037)	(11,974)
Net cash used in operating activities	<u>(510,944)</u>	<u>(325,062)</u>
Cash flows from investing activities:		
Purchase of investments	(19,581,292)	(15,439,146)
Proceeds from sales of investments	20,227,138	15,771,079
Change in restricted cash	1,602,550	57,466
Purchase of property and equipment	(204,693)	(121,248)
Net cash provided by investing activities	<u>2,043,703</u>	<u>268,151</u>
Cash flows from financing activities:		
Proceeds from debt	651,528	255,000
Repayment of principal debt	(2,205,832)	(196,096)
Net cash provided by (used in) financing activities	<u>(1,554,304)</u>	<u>58,904</u>
Net increase (decrease) in cash	(21,545)	1,993
Cash, beginning of year	<u>72,509</u>	<u>70,516</u>
Cash, end of year	<u>\$ 50,964</u>	<u>\$ 72,509</u>
Supplementary information:		
Total interest paid	\$ 104,394	\$ 120,203

See notes to financial statements.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 twofold 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.

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 accounting principles generally accepted in the United States of America 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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 organization 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.

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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Investments

Investments comprise money market funds, marketable debt and equity securities, and accrued interest and dividends thereon and are recorded at market value. The market values of investments are generally determined based on quoted market prices or estimated fair values provided by external investment managers or other sources. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment management fees and service charges are netted against investment income.

Donated investments are reflected as contributions at their market values at date of receipt. The Seminary owns three small parcels of land in Rhinebeck, New York whose carrying amount approximates fair market value.

Fair value measurements

The Seminary adopted GAAP concept of *Fair Value Measurements*. In accordance with GAAP, fair value is defined as the price that the Seminary would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. GAAP establishes a three-tier hierarchy for measuring fair value of assets and liabilities. The three-tier hierarchy of inputs is summarized in three broad levels: Level 1 - quoted prices in active markets for identical securities, Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including the Seminary's own assumptions in determining the fair value of investments).

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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 and bequests receivable

Pledges receivable are recognized as income in the year for which the pledge is 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.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Property and equipment

Additions to property and equipment in excess of \$5,000 are recorded at cost or, if donated, at the fair market 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

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 2011.

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 3.2% to 10.13%. 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. At June 30, 2011, there were no such excess funds.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Seminary's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

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 generally accepted accounting principles in the United States of America 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.

2. CONCENTRATIONS:

The Seminary's cash management policy is to mitigate its credit risks by investing in or through major financial institutions.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

3. RESTRICTED CASH:

The Seminary, in accordance with its loan agreement, maintained a designated bank account at Smith Barney to fund its annual required loan repayments. For the fiscal year ended June 30, 2011, the bank allowed the Seminary to use the collateral balance of \$1,660,016 to pay down the Smith Barney loan (Note 10).

4. 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:

In less than one year	\$ 161,880
In one to five years	<u>208,740</u>
	370,620
Less: Allowance for uncollectable pledges	(14,252)
Less: Unamortized discount	<u>(14,000)</u>
Net Pledges receivable	<u>\$ 342,368</u>

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

5. INVESTMENTS:

The cost and market values of investments as of June 30, 2011 are as follows:

	<u>Cost</u>	<u>Market value</u>
Money market funds	\$ 1,762,405	\$ 1,762,405
Mutual funds	774,997	971,254
Equities	6,339,931	7,864,053
Bonds	1,449,781	1,464,447
Government securities	<u>106,795</u>	<u>107,391</u>
Total	<u>\$10,433,909</u>	<u>\$ 12,169,550</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

5. INVESTMENTS (continued):

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

Interest and dividend income	\$ 189,722
Investment fees	(98,651)
Realized gain on investments	797,373
Net change in unrealized value of investments	<u>1,784,562</u>
	<u>\$ 2,673,006</u>

6. ENDOWMENT FUNDS:

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds, whether or not the organization is subject to UPMIFA).

The State of New York enacted UPMIFA on September 17, 2010, the provisions of which apply to endowment funds existing on or established after that date. The Board of Trustees has determined that the majority of the Seminary's permanently restricted net assets meet the definition of endowment funds under UPMIFA. The implementation of UPMIFA had no effect on the financial statements.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

6. ENDOWMENT FUNDS (continued):

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment assets</u>
Donor restricted endowment funds	\$ 4,449	\$ 1,228,311	\$ 9,694,765	\$ 10,927,525
Board designated endowment funds	<u>1,172,676</u>	<u>-</u>	<u>-</u>	<u>1,172,676</u>
	<u>\$ 1,177,125</u>	<u>\$ 1,228,311</u>	<u>\$ 9,694,765</u>	<u>\$ 12,100,201</u>

The following is a reconciliation of the activity in the Endowment funds for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total net endowment funds</u>
Balance, July 1, 2010	\$ 2,889,229	\$ (245,907)	\$ 9,540,359	\$ 12,183,681
Contributions	-	20,598	154,406	175,004
Investment income, net	350,954	1,453,620	-	1,804,574
Amount appropriated for expenditure	(553,046)	-	-	(553,046)
Appropriated for loan repayment	<u>(1,510,012)</u>	<u>-</u>	<u>-</u>	<u>(1,510,012)</u>
Balance, June 30, 2011	<u>\$ 1,177,125</u>	<u>\$ 1,228,311</u>	<u>\$ 9,694,765</u>	<u>\$ 12,100,201</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

7. RISKS RELATED TO INVESTMENTS:

The Seminary's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

8. FAIR VALUE MEASUREMENTS:

Fair values of assets and liabilities measured on a recurring basis as of June 30, 2011 are as follows:

<u>Description</u>	<u>6/30/11</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Quoted prices In active markets for identical assets/liabilities (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Investment securities	\$ 12,169,550	\$ 12,169,550	\$ -	\$ -
Cash surrender value of life insurance	145,037	-	145,037	-
Investment in property	122,122	-	-	122,122
Total	\$ 12,436,709	\$ 12,169,550	\$ 145,037	\$ 122,122
Liability:				
Annuity and life trust payable	\$ 152,357		\$ 152,357	

Total assets at fair value classified within level 3 inputs were \$122,122 which consists of three parcels of raw land in Rhinebeck, New York, whose fair value approximates its original donated value. There were no changes in valuation of the level 3 inputs.

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

9. PROPERTY AND EQUIPMENT:

A summary of property and equipment as of June 30, 2011 is as follows:

	Cost	Accumulated depreciation	Net
Land	\$ 740,744	\$ -	\$ 740,744
Land improvements	649,602	199,756	449,846
Building and improvements	19,598,187	6,177,394	13,420,793
Library books and media	1,223,197	964,377	258,820
Furniture and equipment	1,361,767	1,275,835	85,932
Vehicles	99,964	83,614	16,350
	<u>\$ 23,673,461</u>	<u>\$ 8,700,976</u>	<u>\$ 14,972,485</u>

Depreciation expense for the year ended June 30, 2011 totaled \$696,683.

10. MORTGAGES AND LOANS PAYABLE:

Loan payable to Smith Barney secured by all cash and investment accounts held with Smith Barney. The loan was used to refinance a prior mortgage on the Lakeside Student Housing property. The loan is payable in five annual principal repayment tiers, together with interest paid on a monthly basis. The interest rate on the five tiers is fixed at rates that start at 4.66% in the first year and end at 5.74% for year 5. This mortgage loan matures in June 2013.

\$ 2,445,455

Mortgage loan payable with variable interest at prime (3.25% at June 30, 2011) secured by a specified land and building. Monthly payments of \$1,708 (interest and principal) are due through March 2017.

107,499

Mortgage loan payable with variable interest at prime (3.25% at June 30, 2011) secured by a specified land and building. Monthly payments of \$1,860 (interest and principal) are due through March 2017.

117,054

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

10. MORTGAGES AND LOANS PAYABLE (continued):

Note payable secured by the purchase of a truck with interest at 4%. Monthly payments of \$967 (interest and principal) are due through January 2012.

6,677

\$ 2,676,685

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

2012	\$ 442,729
2013	2,082,697
2014	38,470
2015	39,739
2016	41,050
After 2016	<u>32,000</u>
	<u>\$ 2,676,685</u>

ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

11. 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	\$1,117,879
Public service	107,861
Library	465,303
Student services	144,938
Theological research publications	22,249
Auxiliary enterprises	<u>1,155,361</u>
 Total program services	 <u>3,013,591</u>
 Supporting services:	
General institutional	1,003,736
Development and communications	<u>401,939</u>
 Total supporting services	 <u>1,405,675</u>
 Total expenses	 <u>\$4,419,266</u>

12. 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 \$71,604 in 2011.

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through October 14, 2011, which is the date the financial statements are available for issuance.