# ST. VLADIMIR'S
# ORTHODOX THEOLOGICAL SEMINARY

## FINANCIAL STATEMENTS

## JUNE 30, 2012

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

**CONTENTS**

**JUNE 30, 2012**

D'Arcangelo & Co..LLP
Certified Public Accountants & Consultants

800 Westchester Ave., Suite N-400, Rye Brook, NY 10573-1301
914-694-4600 Fax: 914-694-3658
Mid-Hudson • Utica/Rome • Westchester
www.darcangelo.com

# 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, 2012, 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, 2011 financial statements and, in our report dated October 14, 2011; 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, 2012, 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 12, 2012

## ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## STATEMENT OF FINANCIAL POSITION

**JUNE 30, 2012**
**With Summarized Comparative Financial Information as of June 30, 2011**

| | 2012 | 2011 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 404,287 | $ 50,964 |
| Accounts receivable, net of allowance for doubtful accounts of $111,146 in 2012 and $109,417 in 2011 | 272,275 | 266,933 |
| Bequest receivable | - | 371,330 |
| Pledges receivable, net | 240,310 | 342,368 |
| Prepaid expenses | 51,049 | 44,104 |
| Inventory | 859,662 | 893,239 |
| Investments | 11,228,048 | 12,169,550 |
| Investment in property | - | 122,122 |
| Cash surrender value of life insurance | 156,864 | 145,037 |
| Property and equipment, net of accumulated depreciation of $9,371,016 in 2012 and $8,700,976 in 2011 | 14,410,010 | 14,972,485 |
| Total assets | $ 27,622,505 | $ 29,378,132 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 360,568 | $ 336,967 |
| Deferred revenue | 30,630 | 30,387 |
| Mortgages and loans payable | 3,148,238 | 2,676,685 |
| Annuity and life trust payable | 162,395 | 152,357 |
| Total liabilities | 3,701,831 | 3,196,396 |
| Net assets: | | |
| Unrestricted | | |
| Net investment in land, building and equipment | 11,765,143 | 11,165,382 |
| Board designated long-term investments | 618,346 | 1,177,125 |
| Undesignated | 965,718 | 2,653,965 |
| Total unrestricted | 13,349,207 | 14,996,472 |
| Temporarily restricted | 835,558 | 1,461,995 |
| Permanently restricted | 9,735,909 | 9,723,269 |
| Total net assets | 23,920,674 | 26,181,736 |
| Total liabilities and net assets | $ 27,622,505 | $ 29,378,132 |

See notes to financial statements.

## ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## STATEMENT OF ACTIVITIES

### YEAR ENDED JUNE 30, 2012
### With Summarized Comparative Financial Information for the Year Ended June 30, 2011

| | Unrestricted | Temporarily restricted | Permanently restricted | 2012 Total | 2011 Total |
|---|---|---|---|---|---|
| **Revenue and reclassifications** | | | | | |
| Tuition and fees | $ 459,867 | $ - | $ - | $ 459,867 | $ 598,080 |
| Less scholarship and financial aid | (180,245) | - | - | (180,245) | (238,594) |
| Net tuition and fees | 279,622 | - | - | 279,622 | 359,486 |
| Gifts and grants | 945,822 | 184,790 | 12,640 | 1,143,252 | 1,263,038 |
| Investment/Endowment income (loss) | 84,758 | (577,543) | - | (492,785) | 2,673,006 |
| Subscriptions income | 8,429 | - | - | 8,429 | 9,695 |
| Summer institute income | 68,259 | - | - | 68,259 | 43,105 |
| Auxiliary enterprises | 1,331,342 | - | - | 1,331,342 | 1,322,416 |
| Other income | 15,991 | - | - | 15,991 | 19,849 |
| Total revenue before net assets released from restriction | 2,734,223 | (392,753) | 12,640 | 2,354,110 | 5,690,595 |
| Reclassifications: | | | | | |
| Satisfaction of program restrictions | 233,684 | (233,684) | - | - | - |
| Total revenue and reclassifications | 2,967,907 | (626,437) | 12,640 | 2,354,110 | 5,690,595 |
| **Expenses** | | | | | |
| Instruction | 838,783 | - | - | 838,783 | 763,054 |
| Public service | 45,774 | - | - | 45,774 | 53,773 |
| Library | 136,976 | - | - | 136,976 | 126,062 |
| Student services | 67,045 | - | - | 67,045 | 79,623 |
| Theological research publications | 47,540 | - | - | 47,540 | 16,183 |
| Operation and maintenance of plant | 667,384 | - | - | 667,384 | 633,696 |
| General institutional expense | 1,166,325 | - | - | 1,166,325 | 1,207,981 |
| Interest expense | 111,644 | - | - | 111,644 | 103,944 |
| Auxiliary enterprises | 863,661 | - | - | 863,661 | 738,267 |
| Total expenses | 3,945,132 | - | - | 3,945,132 | 3,722,583 |
| Change in net assets before depreciation | (977,225) | (626,437) | 12,640 | (1,591,022) | 1,968,012 |
| Depreciation | (670,040) | - | - | (670,040) | (696,683) |
| Change in net assets | (1,647,265) | (626,437) | 12,640 | (2,261,062) | 1,271,329 |
| Net assets, beginning of year | 14,996,472 | 1,461,995 | 9,723,269 | 26,181,736 | 24,910,407 |
| Net assets, end of year | $ 13,349,207 | $ 835,558 | $ 9,735,909 | $ 23,920,674 | $ 26,181,736 |

See notes to financial statements.

## ST. VLADIMIR'S ORTHODOX THEOLOGICAL SEMINARY

## STATEMENT OF CASH FLOWS

### YEAR ENDED JUNE 30, 2012
**With Summarized Comparative Financial Information for the Year Ended June 30, 2011**

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (2,261,062) | $ 1,271,329 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 670,040 | 696,683 |
| Realized (gain) loss on investments | 233,541 | (797,373) |
| Unrealized (gain) loss on investments | 461,124 | (1,784,562) |
| Bad debt reserve-bookstore receivable | 1,729 | (11,584) |
| Bad debt reserve-pledges receivable | 16,130 | (3,062) |
| Discount on pledges receivable | (1,600) | (2,979) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (7,071) | 41,602 |
| Bequest receivable | 371,330 | - |
| Pledges receivable | 87,528 | 59,247 |
| Prepaid expenses | (6,945) | (11,264) |
| Inventory | 33,577 | 26,590 |
| Cash surrender value of life insurance | (11,827) | (4,730) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 23,601 | 44,582 |
| Deferred revenue | 243 | (19,386) |
| Annuity and life trust payable | 10,038 | (16,037) |
| Net cash used in operating activities | (379,624) | (510,944) |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of investments | 6,712,516 | 20,227,138 |
| Purchase of investments | (6,343,557) | (19,581,292) |
| Change in restricted cash | - | 1,602,550 |
| Purchase of property and equipment | (107,565) | (204,693) |
| Net cash provided by investing activities | 261,394 | 2,043,703 |
| **Cash flows from financing activities:** | | |
| Proceeds from debt | 3,006,819 | 651,528 |
| Repayment of principal debt | (2,535,266) | (2,205,832) |
| Net cash provided by (used in) financing activities | 471,553 | (1,554,304) |
| Net increase (decrease) in cash | 353,323 | (21,545) |
| Cash, beginning of year | 50,964 | 72,509 |
| Cash, end of year | $ 404,287 | $ 50,964 |
| **Supplementary information:** | | |
| Total interest paid | $ 110,116 | $ 104,394 |

See notes to financial statements.

## 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.

### 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.

## 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.

## 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.

### Fair value measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques and creates the following three broad levels, with Level 1 valuation being the highest priority:

#### Level 1 valuation

Level 1 valuation inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date (e.g., equity securities traded on the New York Stock Exchange).

#### Level 2 valuation

Level 2 valuation inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

#### Level 3 valuation

Level 3 valuation inputs are unobservable (e.g., an entity's own data) and should be used to measure fair value to the extent that observable inputs are not available.

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

### Fair value measurements (continued)

FASB ASC 820 *Fair Value Measurements* provides entities with an option to report selected financial assets and financial liabilities at fair value. It also establishes presentation and disclosure requirements that are designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The fair value option established by FASB ASC 820 permits all entities to choose to measure eligible account balances at fair value at specified election dates. Marketable investments including the assets of the gift annuity fund are valued at fair value; all other assets and liabilities have been valued at traditional accounting valuations.

The disclosures relating to the Seminary's investments are included in Note 5 to the financial statements.

### 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.

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

### 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 and bequests 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 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 2012.

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

### 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 11.4%. 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, 2012, there were no such excess funds.

### 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 Unites States of America. Accordingly, such information should be read in conjunction with the Seminary's financial statements for the year ended June 30, 2011, 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.

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

### 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.

## 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:

| | |
|---|---|
| In less than one year | $ 102,839 |
| In one to five years | 166,001 |
| | 268,840 |
| Less: Allowance for uncollectable pledges | (16,130) |
| Less: Unamortized discount | (12,400) |
| Net Pledges receivable | $ 240,310 |

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

## 4. INVESTMENTS:

The cost and market values of investments as of June 30, 2012 are as follows:

| | Cost | Market value |
|---|---|---|
| Money market funds | $ 1,460,548 | $ 1,460,548 |
| Mutual funds | 1,362,846 | 1,282,126 |
| Equities | 7,995,463 | 7,608,870 |
| Bonds | 762,924 | 765,937 |
| Government securities | 107,391 | 110,567 |
| Total | $ 11,689,172 | $ 11,228,048 |

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

| | |
|---|---|
| Interest and dividend income | $ 288,526 |
| Investment fees | (86,646) |
| Realized loss on investments | (233,541) |
| Net change in unrealized value of investments | (461,124) |
| | $ (492,785) |

## 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, 2012

## 5. ENDOWMENT FUNDS (continued):

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total net endowment assets |
|---|---|---|---|---|
| Donor restricted endowment funds | $ 4,449 | $ 835,558 | $ 9,707,405 | $ 10,547,412 |
| Board designated endowment funds | 613,897 | - | - | 613,897 |
| | $ 618,346 | $ 835,558 | $ 9,707,405 | $ 11,161,309 |

The following is a reconciliation of the activity in the Endowment funds for the fiscal year ended June 30, 2012:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total net endowment funds |
|---|---|---|---|---|
| Balance, July 1, 2011 | $ 1,177,125 | $ 1,228,311 | $ 9,694,765 | $ 12,100,201 |
| Contributions | - | 184,790 | 12,640 | 197,430 |
| Investment income, net | 84,758 | (577,543) | - | (492,785) |
| Amount appropriated for expenditure | (643,537) | - | - | (643,537) |
| Balance, June 30, 2012 | $ 618,346 | $ 835,558 | $ 9,707,405 | $ 11,161,309 |

## 6. 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.

## 7. FAIR VALUE MEASUREMENTS:

Fair values of assets and liabilities measured on a recurring basis as of June 30, 2012 are as follows:

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | | Quoted prices In active markets for identical assets/liabilities | Significant other observable inputs | Significant unobservable inputs |
| Description | 6/30/12 | (Level 1) | (Level 2) | (Level 3) |
| **Assets:** | | | | |
| Investment securities | $ 11,228,048 | $ 11,228,048 | $ - | $ - |
| Cash surrender value of life insurance | 156,864 | - | 156,864 | - |
| Total | $ 11,384,912 | $ 11,228,048 | $ 156,864 | $ - |
| **Liability:** | | | | |
| Annuity and life trust payable | $ 162,395 | | $ 162,395 | |

## 8. PROPERTY AND EQUIPMENT:

A summary of property and equipment as of June 30, 2012 is as follows:

| | Cost | Accumulated depreciation | Net |
|---|---|---|---|
| Land | $ 740,744 | $ - | $ 740,744 |
| Land improvements | 649,602 | 215,996 | 433,606 |
| Building and improvements | 19,610,242 | 6,683,661 | 12,926,581 |
| Library books and media | 1,279,397 | 1,015,353 | 264,044 |
| Furniture and equipment | 1,372,083 | 1,362,952 | 9,131 |
| Vehicles | 128,958 | 93,054 | 35,904 |
| | $ 23,781,026 | $ 9,371,016 | $ 14,410,010 |

Depreciation expense for the year ended June 30, 2012 totaled $670,040.

## 9. MORTGAGES AND LOANS PAYABLE:

| | |
|---|---|
| A Five year term loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan bears a fixed interest rate of 3.29%. Monthly payments of $6,250 (interest and principal) are due through November 2016. | $ 706,250 |
| A variable rate loan payable to TD Bank secured by certain investment accounts held with TD Bank. The loan was used to refinance a prior loan with Smith Barney. The loan requires interest payments only through November 2013 at Libor + 1.5% (1.74% at June 30, 2012). The loan can be extended for an additional three years at the bank's option. | 1,750,000 |
| Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2012) secured by a specified land and building. Monthly payments of $1,708 (interest and principal) are due through March 2017. | 90,295 |
| Mortgage loan payable to Wells Fargo bank with variable interest at prime (3.25% at June 30, 2012) secured by a specified land and building. Monthly payments of $1,860 (interest and principal) are due through March 2017. | 98,321 |

## 9. MORTGAGES AND LOANS PAYABLE (continued):

| | |
|---|---|
| A note payable to TD Bank secured by the purchase of an SUV automobile with interest at 3.5%. Monthly payments of $762 (interest and principal) are due through January 2015. | $ 22,553 |
| An open line of credit with a maximum borrowing of $500,000 with TD Bank. Interest is at prime (3.25% at June 30, 2012) collateralized by certain investment accounts at TD Bank. | 480,819 |
| | $ 3,148,238 |

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

| | |
|---|---|
| 2013 | $ 601,530 |
| 2014 | 1,872,251 |
| 2015 | 120,029 |
| 2016 | 116,046 |
| 2017 | 438,382 |
| | $ 3,148,238 |

## 10. 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 | $1,198,266 |
| Public service | 105,615 |
| Library | 475,261 |
| Student services | 133,733 |
| Theological research publications | 51,596 |
| Auxiliary enterprises | 1,244,221 |
| Total program services | 3,208,692 |
| Supporting services: | |
| General institutional | 1,042,518 |
| Development and communications | 363,963 |
| Total supporting services | 1,406,481 |
| Total expenses | $4,615,173 |

## 11. 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 $86,955 in 2012.

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.

## 12. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through October 12, 2012, which is the date the financial statements are available for issuance.