

**St. Tikhon's Orthodox  
Theological Seminary**

Financial Statements and  
Supplementary Information

June 30, 2011 and 2010

# St. Tikhon's Orthodox Theological Seminary

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June 30, 2011 and 2010

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## Independent Auditors' Report

Board of Directors  
St. Tikhon's Orthodox Theological Seminary

We have audited the accompanying statement of financial position of St. Tikhon's Orthodox Theological Seminary (the "Seminary") as of June 30, 2011 and 2010, and the related statements of activities, changes in net assets, and cash flows for the years 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.

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 audits provide 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. Tikhon's Orthodox Theological Seminary as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
October 31, 2011

**St. Tikhon's Orthodox Theological Seminary**

## Statement of Financial Position

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 127,913	\$ 529,751
Tuition receivable	33,852	8,489
Contribution receivable	75,000	-
Due from affiliate	-	3,000
	<u>236,765</u>	<u>541,240</u>
Total current assets	236,765	541,240
Cash and Cash Equivalents, Designated	83,570	90,700
Asset Held in Charitable Remainder Trust	216,000	-
Property and Equipment, Net	962,453	779,120
Certificates of Deposit	664,352	954,842
Investments	<u>1,773,637</u>	<u>1,025,367</u>
Total assets	<u>\$ 3,936,777</u>	<u>\$ 3,391,269</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 51,831	\$ 50,000
Accounts payable	20,223	31,144
Student deposits	<u>17,580</u>	<u>1,710</u>
Total current liabilities	89,634	82,854
Obligation under Charitable Remainder Trust	46,750	-
Long-Term Debt	<u>18,942</u>	<u>49,860</u>
Total liabilities	<u>155,326</u>	<u>132,714</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	1,090,642	1,187,646
Board designated	<u>83,570</u>	<u>90,700</u>
Total unrestricted	1,174,212	1,278,346
Temporarily restricted	861,696	605,942
Permanently restricted	<u>1,745,543</u>	<u>1,374,267</u>
Total net assets	<u>3,781,451</u>	<u>3,258,555</u>
Total liabilities and net assets	<u>\$ 3,936,777</u>	<u>\$ 3,391,269</u>

See notes to financial statements

# St. Tikhon's Orthodox Theological Seminary

## Statement of Activities

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Bequests	570,664	238,468
Tuition (net of scholarships of \$216,664 in 2011)	94,276	285,536
Contributions	430,017	439,175
Miscellaneous	7,225	11,732
Investment income	4,825	1,420
Contributed services	35,500	35,000
Mission choir donations	11,459	50,361
Recovery of underwater endowment	-	16,770
	<u>1,153,966</u>	<u>1,078,462</u>
<b>Expenses</b>		
Instructional	522,537	514,873
Administrative	410,202	285,056
Operations	228,852	196,378
Student services	75,630	43,607
Fundraising	10,546	-
Library	10,333	13,443
	<u>1,258,100</u>	<u>1,053,357</u>
Total support and revenue	<u>1,153,966</u>	<u>1,078,462</u>
Total expenses	<u>1,258,100</u>	<u>1,053,357</u>
(Decrease) increase in unrestricted net assets	<u>(104,134)</u>	<u>25,105</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Investment income	255,754	87,292
Contributions	-	70,759
Recovery of underwater endowment	-	(16,770)
	<u>255,754</u>	<u>141,281</u>
Increase in temporarily restricted net assets	<u>255,754</u>	<u>141,281</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Contributions	202,026	-
Contribution of charitable remainder trust	165,000	-
Change in valuation of charitable remainder trust	4,250	-
	<u>371,276</u>	<u>-</u>
Increase in permanently restricted net assets	<u>371,276</u>	<u>-</u>
Increase in net assets	<u>\$ 522,896</u>	<u>\$ 166,386</u>

See notes to financial statements

**St. Tikhon's Orthodox Theological Seminary**

## Statement of Changes in Net Assets

Years Ended June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Net Assets, June 30, 2009</b>	\$ 1,253,241	\$ 464,661	\$ 1,374,267	\$ 3,092,169
<b>Increase in Net Assets</b>	<u>25,105</u>	<u>141,281</u>	<u>-</u>	<u>166,386</u>
<b>Net Assets, June 30, 2010</b>	<u>1,278,346</u>	<u>605,942</u>	<u>1,374,267</u>	<u>3,258,555</u>
<b>(Decrease) increase in Net Assets</b>	<u>(104,134)</u>	<u>255,754</u>	<u>371,276</u>	<u>522,896</u>
<b>Net Assets, June 30, 2011</b>	<u>\$ 1,174,212</u>	<u>\$ 861,696</u>	<u>\$ 1,745,543</u>	<u>\$ 3,781,451</u>

*See notes to financial statements*

# St. Tikhon's Orthodox Theological Seminary

## Statement of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 522,896	\$ 166,386
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contribution of asset held in charitable remainder trust	(165,000)	-
Depreciation	47,135	37,105
Accretion	(4,250)	-
Net realized and unrealized gains on investments	(223,295)	(55,397)
Changes in assets and liabilities:		
Tuition receivable	(25,363)	23,901
Contributions receivable	(75,000)	-
Prepaid expenses	-	12,247
Due from affiliate	3,000	1,065
Accounts payable	(10,921)	(17,825)
Student deposits	15,870	(5,346)
	<u>85,072</u>	<u>162,136</u>
Net cash provided by operating activities		
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,366,299)	(698,324)
Proceeds from sale of investments	841,324	715,718
Purchase of property and equipment	(230,468)	-
Decrease (increase) in certificates of deposit	290,490	(18,507)
Decrease in cash and cash equivalents, designated	7,130	50,295
	<u>(457,823)</u>	<u>49,182</u>
Net cash used in investing activities		
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	25,517	-
Repayment of long-term debt	(54,604)	(50,043)
	<u>(29,087)</u>	<u>(50,043)</u>
Net cash used in financing activities		
(Decrease) increase in cash and cash equivalents	(401,838)	161,275
<b>Cash and Cash Equivalents, Beginning</b>	<u>529,751</u>	<u>368,476</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 127,913</u>	<u>\$ 529,751</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 4,568</u>	<u>\$ 7,602</u>

See notes to financial statements

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements  
June 30, 2011 and 2010

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

St. Tikhon's Orthodox Theological Seminary (the "Seminary") was founded in 1938 as a Pastoral School by resolution of the 6th All-American Sobor of the Russian Orthodox Greek Catholic Church in North America and was officially transformed from a Pastoral School into a Seminary by the Holy Synod of the Metropolis in 1942.

The Seminary is an institution of professional Orthodox Christian theological education, chartered by the Department of Education of the Commonwealth of Pennsylvania and affiliated with the Orthodox Church in America. The primary mission of the Seminary lies in providing the necessary theological, liturgical, spiritual, and moral foundations for Orthodox men to become, as God so wills, good shepherds of His Holy Orthodox Church.

The Seminary evaluated subsequent events for recognition or disclosure through October 31, 2011, the date the financial statements were available to be issued.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents and cash and cash equivalents, designated include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased.

Cash and cash equivalents, designated assets are restricted by the board for certain projects or purposes.

### **Tuition Receivable**

Tuition receivable is reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible.

### **Certificates of Deposit**

Certificates of deposit are recorded at cost.



# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements  
June 30, 2011 and 2010

## **Investments and Investment Risk**

Investments in marketable equity securities and mutual funds are carried at fair value based upon quoted market prices of the securities. The carrying amount of cash and money market funds approximates fair value based on the short-term nature of these investments.

Investment income or loss (including realized gains and losses on investments, unrealized gains or losses on other than trading securities, write-downs of the cost basis of investments due to an other-than-temporary decline in fair value, interest, and dividends) is included in the statement of activities unless the income or loss is restricted by donor or law.

The Seminary's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

## **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful life of each classification of depreciable asset. Depreciation was \$47,135 in 2011 and \$37,105 in 2010.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

A land deposit in the amount of \$25,000 is included in property and equipment in 2011. This amount is being held in escrow and represents a down payment on a parcel of land being sold by the Western Wayne School District to St. Tikhon's Orthodox Theological Seminary.

## **Tuition Revenue Recognition**

Tuition revenue is recorded in the year earned. Tuition received in advance of the ensuing school year is recorded as deferred revenue until earned.

# **St. Tikhon's Orthodox Theological Seminary**

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Notes to Financial Statements

June 30, 2011 and 2010

## **Split-Interest Agreement**

The Seminary is a party to a split-interest agreement, known as a charitable remainder trust. The Seminary reports separately the asset and liability of its split-interest agreement in the statement of financial position, and it reports separately contribution revenue from the split-interest agreement and the change in valuation of the split-interest agreement in its statement of activities.

A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust the remaining asset is transferred to the Seminary in accordance with the donor's stated restriction.

The Seminary is a party to an agreement whereby title of real estate was deeded to the Seminary (asset held in charitable remainder trust). As part of the agreement, a beneficiary was given the right to utilize the real estate until death. The Seminary recorded an asset at fair value at the date of gift. The difference between the fair value of the asset and the present value of future benefit discounted over the beneficiaries actuarially determined life expectancy was recorded as a liability (obligation under charitable remainder trust). Amortization of the liability and changes in the charitable remainder trust are recognized as change in the valuation of the charitable remainder trust.

## **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Seminary has been limited by donors to a specific time period or purpose. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose.

Permanently restricted net assets have been restricted by donors to be maintained by the Seminary in perpetuity. Income earned is unrestricted in use, except for amounts designated to be expended for a particular purpose. The net depreciation of investments classified as permanently restricted reduces unrestricted net assets. Any future gains will be used to restore the cumulative deficiency within unrestricted net assets. Once unrestricted net assets have been fully restored, net appreciation will be recorded within either temporarily or permanently restricted net assets, as required by the donor's restriction.

## **Contributed Services**

For the year ended June 30, 2011 and 2010, the Seminary recorded contributions in the amount of \$35,500 and \$35,000, respectively for the services performed by priests in the classroom as part-time uncompensated faculty. These amounts represent the estimated compensation that would have to be paid to a faculty member providing services for compensation at the Seminary's pay scale in effect for that period.

## **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

## Promise to Give

The unconditional promise to give of \$75,000 is expected to be collected in 2012. This promise to give is from one donor that is an organization with a history of donations to the Seminary. Management does not feel an allowance is necessary at June 30, 2011.

## Income Taxes

The Seminary is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Seminary accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2011 and 2010.

## Reclassification

Certain amounts relating to 2010 have been reclassified to conform to the 2011 reporting format.

## 2. Property and Equipment and Accumulated Depreciation

Property and equipment and accumulated depreciation as of June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 70,601	\$ 70,601
Buildings and improvements	1,519,494	1,477,706
Furniture	87,230	87,230
Equipment	76,191	76,191
Vehicle	68,968	-
Land deposit	25,000	-
Construction in progress	94,712	-
	<hr/>	<hr/>
Total	1,942,196	1,711,728
Less accumulated depreciation	979,743	932,608
	<hr/>	<hr/>
Property and equipment, net	\$ 962,453	\$ 779,120

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

### 3. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	<u>2011</u>	<u>2010</u>
Money market	\$ 520,363	\$ 316,182
Marketable equity securities:		
Energy	286,109	143,708
Information technology	220,800	110,779
Health care	215,165	102,473
Consumer goods	207,415	129,720
Telecommunications	129,635	60,595
Financial	128,015	57,170
Agriculture	47,025	58,907
Insurance	19,110	16,275
Mutual funds	-	29,558
Total	<u>\$ 1,773,637</u>	<u>\$ 1,025,367</u>

Investment return for cash and cash equivalents and investments is comprised of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 37,284	\$ 33,315
Realized and unrealized gains on investments	<u>223,295</u>	<u>55,397</u>
Total investment return	<u>\$ 260,579</u>	<u>\$ 88,712</u>

Investment fees totaled \$6,647 in 2011 and \$5,085 in 2010. These amounts are netted against the total investment return.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy for disclosure of the inputs to valuation used to measure fair value prioritizes the inputs into three broad levels as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 – Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.



# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

The Level 3 reconciliation at June 30, 2011 is as follows:

<u>Description</u>	<u>Asset Held in Charitable Remainder Trust</u>
Balance at June 30, 2010	\$ -
Addition, Contribution of asset	<u>216,000</u>
Total	<u>\$ 216,000</u>

The change in value of the assets held in charitable remainder trust is reduced by the change in value of the obligation under charitable remainder trust. This net value is recognized in the change in valuation of charitable remainder trust under changes in permanently restricted net assets in the statement of activities.

## 4. Long-Term Debt

Long-term debt consists of the following at June 30

	<u>2011</u>	<u>2010</u>
Mortgage payable, with interest at 6%. Monthly principal and interest payments of \$4,804 are due through April 2012, collateralized by a first lien on real estate	\$ 46,885	\$ 99,860
Loan payable, with interest at 1.9%. Monthly principal and interest payments of \$446 are due through February 2016, secured by a vehicle	<u>23,888</u>	<u>-</u>
Total	70,773	99,860
Less current portion	<u>(51,831)</u>	<u>(50,000)</u>
Total	<u>\$ 18,942</u>	<u>\$ 49,860</u>

Scheduled principal repayments for periods subsequent to June 30, 2010 are as follows:

Years ending June 30:	
2012	\$ 51,831
2013	5,041
2014	5,138
2015	5,237
2016	<u>3,526</u>
Total	<u>\$ 70,773</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

## 5. Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan. The plan covers all Bishops and Priests and all full-time lay persons electing to be covered by the plan. The plan is a defined benefit plan, which requires a mandatory 12% contribution on behalf of all participating members. The vesting schedule is as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
5	10%
6	20%
7	30%
8	40%
9	50%
10	60%
11	70%
12	80%
13	90%
14 or more	100%

Pension expense was \$38,753 and \$43,212 for the years ended June 30, 2011 and 2010.

The Plan administrator is the Pension Board comprised of not less than three (3) persons appointed by the Church. A valuation of the plan is required at least once every three years by an enrolled actuary as defined under the Employee Retirement Income Security Act ("ERISA") to determine the contributions needed to maintain the plan on a sound actuarial basis. The contributions needed to support the plan shall be changed from time to time based upon the results of these valuations.

## 6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	<u>2011</u>	<u>2010</u>
Restricted for:		
Scholarships	\$ 424,235	\$ 199,006
General endowments	437,461	406,936
<b>Total</b>	<b>\$ 861,696</b>	<b>\$ 605,942</b>

Permanently restricted net assets at June 30 consist of the following:

Restricted for:		
Scholarships	\$ 970,180	\$ 598,904
General endowments	775,363	775,363
<b>Total</b>	<b>\$ 1,745,543</b>	<b>\$ 1,374,267</b>

# St. Tikhon's Orthodox Theological Seminary

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Notes to Financial Statements  
June 30, 2011 and 2010

## 7. Endowment Funds

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Seminary has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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 either temporarily restricted or unrestricted net assets based on the existence of donor restrictions or by law.

The Seminary considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, including the duration and preservation of the fund, the purposes of the Seminary and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, the investment policies of the Seminary, and other resources of the Seminary.

The Seminary has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Seminary must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a total return, net of all fees and expenses, equal to or exceeding the spending rate plus the rate of inflation, as measured by the Consumer Price Index while incurring only a reasonable and prudent level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Seminary relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seminary targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Seminary has a policy of appropriating for distribution accumulated income and net appreciation of investments as approved by the Board of Trustees. This policy is consistent with the Seminary's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.



## St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 861,696	\$ 1,745,543	\$ 2,607,239
Board-designated endowment funds	<u>83,570</u>	<u>-</u>	<u>-</u>	<u>83,570</u>
Total endowment funds	<u>\$ 83,570</u>	<u>\$ 861,696</u>	<u>\$ 1,745,543</u>	<u>\$ 2,690,809</u>

Changes in endowment net assets in 2011 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	<u>\$ 90,700</u>	<u>\$ 605,942</u>	<u>\$ 1,374,267</u>	<u>\$ 2,070,909</u>
Investment return:				
Investment income	4,825	32,459	-	37,284
Net realized and unrealized gains	<u>-</u>	<u>223,295</u>	<u>-</u>	<u>223,295</u>
Total investment return	<u>4,825</u>	<u>255,754</u>	<u>-</u>	<u>260,579</u>
Contributions	<u>185,781</u>	<u>-</u>	<u>202,026</u>	<u>387,807</u>
Contribution of charitable remainder trust	<u>-</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Change in charitable remainder trust	<u>-</u>	<u>-</u>	<u>4,250</u>	<u>4,250</u>
Scholarship released	<u>(185,781)</u>	<u>-</u>	<u>-</u>	<u>(185,781)</u>
Appropriation of endowment assets for expenditure (spending policy)	<u>(11,955)</u>	<u>-</u>	<u>-</u>	<u>(11,955)</u>
Endowment net assets, June 30, 2011	<u>\$ 83,570</u>	<u>\$ 861,696</u>	<u>\$ 1,745,543</u>	<u>\$ 2,690,809</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

Endowment net asset composition by type of fund as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 605,942	\$ 1,374,267	\$ 1,980,209
Board-designated endowment funds	90,700	-	-	90,700
Total endowment funds	<u>\$ 90,700</u>	<u>\$ 605,942</u>	<u>\$ 1,374,267</u>	<u>\$ 2,070,909</u>

Changes in endowment net assets in 2010 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ 124,225	\$ 464,661	\$ 1,374,267	\$ 1,963,153
Investment return:				
Investment income	1,420	31,937	-	33,357
Net realized and unrealized gains	-	55,355	-	55,355
Total investment return	1,420	87,292	-	88,712
Contributions	-	70,759	-	70,759
Reclassification of underwater endowment net assets	16,770	(16,770)	-	-
Appropriation of endowment assets for expenditure (spending policy)	(51,715)	-	-	(51,715)
Endowment net assets, June 30, 2010	<u>\$ 90,700</u>	<u>\$ 605,942</u>	<u>\$ 1,374,267</u>	<u>\$ 2,070,909</u>

# St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements  
June 30, 2011 and 2010

## 8. Functional Expenses

The Seminary provides theological teachings to individuals within its geographic area. Expenses related to providing these services for 2011 and 2010 are as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Program services	\$ 837	\$ 768
General and administrative	410	285
Fundraising	<u>11</u>	<u>-</u>
Total	<u>\$ 1,258</u>	<u>\$ 1,053</u>

## 9. Commitments and Contingencies

The Seminary has entered into a valid Agreement of Sale with the Western Wayne School District for a property valued at \$600,000. The Seminary has made a \$25,000 deposit on this property in 2011. The Seminary expects to complete the purchase in 2012 and use the property to expand student housing.

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Seminary qualifies for an exemption from real property taxes; however, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have started and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future effects of this matter, if any, are not presently determinable.

## 10. Concentrations

The Seminary primarily maintains its cash and investments with financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures accounts to \$250,000 at each institution. The Seminary generally has cash on deposit in excess of insured amounts. The Seminary's contribution receivable balance represents a promise to give from an organization.

# St. Tikhon's Orthodox Theological Seminary

## Schedule of Instructional, Administrative, and Operations Expenses

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Instructional</b>		
Faculty wages	\$ 278,108	\$ 317,552
Employee benefits	67,661	56,721
Travel	40,128	32,977
Payroll taxes	36,024	34,900
Donated services	35,500	35,000
Pension	32,646	37,723
Faculty housing	29,470	-
Faculty tuition	3,000	-
	<u>522,537</u>	<u>514,873</u>
Total instructional	<u>\$ 522,537</u>	<u>\$ 514,873</u>
<b>Administrative</b>		
Staff wages	\$ 217,572	\$ 104,459
Professional fees	47,499	60,404
Payroll taxes	43,149	53,274
Office supplies	32,997	21,894
Employee Benefits	27,419	8,224
Automobile	12,793	13,131
Dues and subscriptions	8,017	3,256
Equipment lease	7,377	4,930
Pension	6,107	5,489
Travel	3,685	4,103
Conferences	2,925	5,881
Interest	662	11
	<u>410,202</u>	<u>285,056</u>
Total administrative	<u>\$ 410,202</u>	<u>\$ 285,056</u>
<b>Operations</b>		
Utilities	\$ 80,801	\$ 67,888
Insurance	76,412	28,167
Depreciation	47,135	37,105
Repairs and maintenance	9,261	42,312
Telephone	7,312	9,537
Interest	4,568	7,602
Supplies	2,019	3,767
Taxes	1,344	-
	<u>228,852</u>	<u>196,378</u>
Total operations	<u>\$ 228,852</u>	<u>\$ 196,378</u>