

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

Financial Statements

June 30, 2021

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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6 – 7
Notes to Financial Statements	8 – 21
SUPPLEMENTARY INFORMATION	
Schedule of Instructional, Administrative and Operations Expenses	22



catanese group

Certified Public Accountants & Business Advisors
A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees

St. Tikhon's Orthodox Theological Seminary

Waymart, Pennsylvania

We have audited the accompanying financial statements of St. Tikhon's Orthodox Theological Seminary (a not-for-profit Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Pittsburgh | Johnstown

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Because of the inadequacy of accounting records for the years prior to 2021, we were unable to obtain sufficient appropriate audit evidence regarding the endowment allocations recorded in the accompanying statement of financial position and notes to financial statements at June 30, 2021. Because of the inadequacy of accounting records during the year ended June 30, 2021, we were unable to obtain sufficient appropriate audit evidence regarding repairs and maintenance expense recorded in the statement of activities under expenses included in "Operations".

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of St. Tikhon's Orthodox Theological Seminary as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 14 to the financial statements, the beginning net assets have been restated to correct a misstatement made in a prior period. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of instructional, administrative and operations expenses on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Catanese Group
Johnstown, Pennsylvania
March 4, 2022

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 13,421
Cash and cash equivalents, designated	423,630
Tuition receivables, net of allowance for doubtful accounts of \$49,928	56,522
Prepaid expenses	<u>19,008</u>
Total Current Assets	512,581
Other Assets	
Certificates of Deposit	496,276
Investments	2,978,694
Interest in Net Assets of Affiliates	1,535
Property and equipment - net	<u>2,573,915</u>
Total Other Assets	<u>6,050,420</u>
Total Assets	<u>\$ 6,563,001</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 49,434
Payroll taxes payable	4,212
Current portion of long-term debt	20,358
Line of Credit	<u>461,121</u>
Total Current Liabilities	<u>535,125</u>
Long-Term Liabilities	
Long-term debt, less current portion	<u>111,565</u>
Total Liabilities	<u>\$ 646,690</u>
Net Assets	
Without donor restrictions:	
Undesignated	2,573,851
Board designated	<u>423,630</u>
	2,997,481
With donor restrictions:	<u>2,918,830</u>
Total Net Assets	<u>5,916,311</u>
Total Liabilities and Net Assets	<u>\$ 6,563,001</u>

See independent auditor's report and accompanying notes.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,554,919	\$ 220,426	\$ 1,775,345
Bequests	35,000	-	35,000
Tuition	287,054	-	287,054
Contributed services	70,008	-	70,008
Miscellaneous	279,709	-	279,709
Investment income	232,071	498,021	730,092
Net assets released from restrictions	442,470	(442,470)	-
Total Revenue and Support	2,901,231	275,977	3,177,208
Expenses			
Instructional	593,010	-	593,010
Operations	660,964	-	660,964
Administrative	808,924	-	808,924
Student services	118,696	-	118,696
Fundraising	16,700	-	16,700
Library	8,461	-	8,461
Total Expenses	2,206,755	-	2,206,755
Net Increase (Decrease) in Net Assets	\$ 694,476	\$ 275,977	\$ 970,453

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets - June 30, 2020	\$ 2,303,005	\$ 2,642,853	\$ 4,945,858
Net Increase (Decrease) in net assets	<u>694,476</u>	<u>275,977</u>	<u>970,453</u>
Net Assets - June 30, 2021	<u>\$ 2,997,481</u>	<u>\$ 2,918,830</u>	<u>\$ 5,916,311</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities	
Net increase (decrease) in net assets	\$ 970,453
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:	
Depreciation	87,884
Bad debt expense	236,771
Gain on sale of property and equipment	(15,300)
Paycheck Protection Program forgiveness	(144,400)
Net unrealized gains on investments	(539,848)
Restricted contributions	(220,426)
Changes in assets and liabilities:	
Tuition receivables	(125,564)
Other receivables	21,167
Contributions receivable	149,359
Prepaid expenses	(19,008)
Accounts payable	16,272
Payroll taxes payable	<u>3,850</u>
 Net Cash Provided by Operating Activities	 <u>421,210</u>
 Cash Flows from Investing Activities	
Purchase of investments	(2,403,596)
Proceeds from sale of investments	2,165,499
Proceeds from sale of property and equipment	15,300
Purchase of property and equipment	(85,953)
Change in certificates of deposit	<u>11,720</u>
 Net Cash (Used in) Investing Activities	 <u>(297,030)</u>
 Cash Flows from Financing Activities	
Restricted contributions	220,426
Repayment of long-term debt	<u>(221,377)</u>
 Net Cash (Used in) Financing Activities	 <u>(951)</u>
 Net Change in Cash and Cash Equivalents	 123,229
 Beginning Cash and Cash Equivalents	 <u>313,822</u>
 Ending Cash and Cash Equivalents	 <u>\$ 437,051</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Supplemental disclosure of cash flow information:

Cash paid for interest	<u>\$ 69,813</u>
------------------------	------------------

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents	\$ 13,421
Cash and cash equivalents, designated	<u>423,630</u>
Total cash and cash equivalents	<u>\$ 437,051</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1 – Organization

St. Tikhon's Orthodox Theological Seminary (the "Seminary") located in South Canaan, Pennsylvania 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 the 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 North 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.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Seminary have been prepared on the accrual basis of accounting.

For financial reporting purposes, the Seminary follows the reporting requirements of accounting principles generally accepted in the United States of America (GAAP), which require that resources are classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions.

Description of the two net asset categories are as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. These are currently available at the direction of the Board of Trustees for use in operations, invested in property and equipment or as endowments.

Net assets with donor restrictions - Net assets whose use by the Seminary is subject to donor imposed stipulations that can be fulfilled by actions of the Seminary pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents (including amounts designated) include certain investments in highly liquid debt instruments with a maturity of three months or less when purchased. The Seminary maintains its cash in bank deposit accounts, which may exceed the federally insured limits of \$250,000 per institution. The Seminary has not experienced any losses in such accounts and management believes that they are not exposed to any significant credit risk related to its cash and cash equivalents.

Cash and cash equivalents, designated are set aside by the Board of Trustees for certain projects or purposes.

Tuition receivables

Tuition receivables are reported at net realizable value. The Seminary provides for probable uncollectible amounts through a valuation allowance so that the net amount reflects the amount that management expects to collect. The valuation allowance is based on management's assessment of the current status of individual accounts, historical collection information, and existing economic conditions. It is reasonably possible that the estimate of the allowance for doubtful accounts will change. The Seminary does not recognize interest income on receivables. Bad debt expense for the year ended June 30, 2021 is \$236,771.

Prepaid expenses

Prepaid expenses consist of deposits and prepayments made in the current year that benefit future periods.

Certificates of Deposit

Certificates of deposit are recorded at cost plus accumulated interest which approximates fair value.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Investments and Investment Risk

Investments are carried at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as income without donor restrictions 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 less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings and improvements (20-40 years), furniture (7-20 years), equipment (5-10 years), and vehicles (5 years). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized. All assets with a purchased cost, or fair value if acquired by gift, in excess of \$1,000 are capitalized.

Property and equipment held for future development is carried at cost. Depreciation will be provided over the period benefited once placed in service.

Gifts of long-lived assets such as land, buildings, or equipment are reported as without donor restriction 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.

The Seminary reviews its long-lived assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. If these future cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Interest in Net Assets of Affiliates

The Seminary recognizes its interest in the net assets of St. Tikhon's Theological Century Association (the Association) because the Seminary and the Association are considered financially interrelated organizations.

The Association was formed to render moral and financial assistance to the Seminary. The Seminary and Association each have an independent board of trustees who manage their affairs. Changes in interest in net assets of affiliates are recorded as increases or decreases in net assets. Contributions to the Seminary from the Association were \$20,000 in 2021.

Revenue Recognition

Tuition (includes fees, room and board) revenue is recognized in the fiscal year in which the academic programs are delivered. Tuition contracts are considered to have a duration of less than one year. Transaction prices for tuition are determined based on applicable Seminary pricing schedules. Scholarships are reflected as a reduction of tuition revenue.

Amounts for tuition are due at the beginning of each semester. In accordance with the Seminary's refund policies students may receive a full refund up to three weeks or partial refund up to six weeks after the start of the semester. Tuition accounts receivable includes amounts to which the Seminary is unconditionally entitled. The Seminary considers such amounts as unconditional based on the payment due date.

Miscellaneous income consists of various sources of income which are generally transactional in nature and are recorded as they meet their performance obligation. Miscellaneous income in 2021 includes forgiveness of the Paycheck Protection Program loan in the amount of \$144,400.

The Seminary recognizes contributions and bequests when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right to return - are not recognized until the conditions on which they depend have been met.

Unconditional promises to give are recorded at the present value of estimated future cash flows. Contributions of assets other than cash are recorded at fair value at the date the promise is received. The gifts are reported as with donor restriction 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, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Contributed Services

For the year ended June 30, 2021, the Seminary recorded contributions in the amount of \$70,008 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.

Tax Status

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

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 2021. Management believes its non-profit status would be upheld upon examination. The Seminary is no longer subject to income tax examinations for years prior to 2017.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities based upon their natural classifications. Accordingly, certain costs have been allocated between instructional, operations, administrative, student services, fundraising, and library based upon the directly identifiable benefits.

New accounting standards

FASB has issued ASU 2016-02, Leases (Topic 842) which superseded the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance is effective for fiscal years beginning after December 15, 2021 and thus will be effective for the July 1, 2022 to June 30, 2023 fiscal year end.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

New accounting standards (continued)

FASB has issued ASU 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under the new guidance, contributed nonfinancial assets are to be separately stated as individual line items in the statement of activities, distinct from contributions of cash and other financial assets. The Not-for-Profit will be required to disclose whether the nonfinancial assets were liquidated rather than contributed as well as if the asset was used during the reporting period, how it was used. The valuation method of the asset will need to be disclosed along with any donor-imposed restrictions that were placed on the asset. The guidance is effective for annual reporting periods commencing after June 15, 2021 and thus will be effective for the July 1, 2021 to June 30, 2022 fiscal year end.

Subsequent events

Management has reviewed subsequent events and transactions through March 4, 2022, the date the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

Note 3 - Coronavirus Disease (COVID-19)

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. For the fiscal year ended June 30, 2021, the COVID-19 outbreak has had an adverse impact on the Seminary's operations including required modification of instruction, events, and communal life. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the Seminary's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, distribution of a vaccine, impact on students, employees and vendors, all of which are uncertain and cannot be reasonably predicted at the current time. The Board of Trustees and management are monitoring the outbreak and potential financial impact, which are currently uncertain.

In April 2020, the Seminary applied for and was approved for funding pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the CARES Act. The Seminary received proceeds of \$144,400 on April 17, 2020 and there are no collateral or guarantee requirements. The Seminary applied for, and received forgiveness on the PPP loan during the year ended June 30, 2021, and as such recorded as revenue and support on the statement of activities within the line item miscellaneous.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 4 - Property and Equipment, Net

Property and equipment, net consists of the following at June 30, 2021:

Land	\$	70,601
Buildings and Improvements		2,998,408
Furniture		109,065
Equipment		143,076
Construction-in-Progress		729,682
Vehicles		<u>26,970</u>
Total		4,077,802
 Less Accumulated Depreciation		 <u>(1,503,887)</u>
 Property and Equipment, net	 \$	 <u><u>2,573,915</u></u>

Note 5 - Investments and Fair Value Measurements

The composition of assets measured at fair value is as follows at June 30, 2021:

Certificates of Deposit	\$	496,276
Money market		210,968
Marketable equity securities		<u>2,767,726</u>
Total	\$	<u><u>3,474,970</u></u>

Investment return is comprised of the following for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 13,807	\$ 25,991	\$ 39,798
Realized gains on investments	33,098	117,348	150,446
Unrealized gains on investments	<u>185,166</u>	<u>354,682</u>	<u>539,848</u>
Total investment return	<u><u>\$ 232,071</u></u>	<u><u>\$ 498,021</u></u>	<u><u>\$ 730,092</u></u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5 - Investments and Fair Value Measurements (continued)

Investment fees totaled \$11,281 in 2021. These fees are netted against interest and dividend income without donor restriction.

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 judgement 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.

The Seminary's assets measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2021 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money Market	\$ 210,968	\$ -	\$ 210,968
Marketable Equity Securities	2,767,726	-	2,767,726
Certificates of Deposit	-	496,276	496,276
Total Investments	<u>\$ 2,978,694</u>	<u>\$ 496,276</u>	<u>\$ 3,474,970</u>

The following is a description of the valuation methodologies used to determine fair value:

The carrying value of money market accounts approximated fair value because of the short-term maturity of these instruments. Marketable equity securities are measured at fair value based on quoted market prices in active markets for identical assets. Certificates of deposit are measured at cost plus accumulated interest which approximates fair value.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6 - Liquidity and Funds Available

The following table reflects the Seminary's financial assets which are available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year due to contractual or Board of Trustees action. Assets considered illiquid are assets restricted by donors for capital purposes, perpetual and Board-designated endowments and accumulated earnings thereon. The Board-designated endowments could be drawn upon if the Board of Trustees approves that action.

Cash and cash equivalents	\$ 13,421
Cash and Cash Equivalents, Designated	423,630
Tuition Receivables	<u>56,522</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 493,573</u>

The Seminary structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Seminary also maintains a \$500,000 operating line of credit of which \$38,879 is available, which can be drawn upon in the event of a liquidity need.

Note 7 - Line of Credit

The Seminary has available for working capital purposes a \$500,000 line of credit arrangement with a bank. Borrowings on the line of credit bear interest at the Wall Street Prime Floating Rate with a floor rate of 3.50 percent (3.50 percent at June 30, 2021). The line of credit is secured by the business assets of the Seminary and renews annually on December 31. Borrowings totaled \$461,121 at June 30, 2021.

The line of credit agreement requires the Seminary to maintain certain financial ratios. The Seminary was in compliance with these ratios as of June 30, 2021.

Note 8 - Long-Term Debt

Long-term debt consisted of the following at June 30, 2021:

Term note with bank, payable in monthly payments of \$2,261 including interest at 4% through December 2026; secured by investments valued at 125% or more of the loan value	\$ 131,923
Less Current Portion	<u>(20,358)</u>
Long-Term Debt, less Current Portion	<u>\$ 111,565</u>

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8 - Long-Term Debt (continued)

Scheduled principal repayments of long-term debt as of June 30, 2021 are as follows:

2022	\$	20,358
2023		23,090
2024		24,030
2025		25,010
2026		26,028
Thereafter		<u>13,407</u>
Total	\$	<u>131,923</u>

Note 9 - Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan (the "Plan"). The Plan is a nonelecting church plan, and is not governed by the terms of the Employer Retirement Income Security Act of 1974 (ERISA).

The Plan is a defined benefit pension plan covering substantially all employees of the Orthodox Church in America (the Church), including organizations under the Church's jurisdiction.

The Plan provides retirement and death benefits to participating members and their spouses which are based upon years of service, the participating member's compensation level and the amount of the participating member's deferrals.

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 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 based upon the results of these valuations.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 9 - Pension Plan (continued)

Participating members are required at a minimum to contribute 6 percent of their qualifying salary (including amounts paid as housing allowances for clergy) to the Plan, with the employer contributing 8 percent. Pension expense was \$67,721 in 2021. The vesting schedule of the Plan is as follows:

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

The most recent valuation of the Plan (January 1, 2019) determined that the liabilities of the Plan exceeded the actuarial value of the Plan's assets. The unfunded liability must be funded through future contributions. No specific allocation of the unfunded liability is made to individual employees or employers. Accordingly, determination of any additional liability is not practicable to estimate.

Note 10 - Functional Expenses

The table below presents the Seminary's expenses by nature and function at June 30, 2021:

	<u>Instructional</u>	<u>Operations</u>	<u>Administrative</u>	<u>Student Services</u>	<u>Fundraising</u>	<u>Library</u>	<u>Total 2021</u>
Salaries and wages	\$ 270,625	\$ -	\$ 466,660	\$ -	\$ -	\$ -	\$ 737,285
Adjunct wages	132,448	-	-	-	-	-	132,448
Employee benefits	81,937	-	141,289	-	-	-	223,226
Supplies and other	4,300	179,499	73,066	118,696	16,700	8,461	400,722
Donated services	70,008	-	-	-	-	-	70,008
Insurance	-	50,007	-	-	-	-	50,007
Utilities	-	83,754	-	-	-	-	83,754
Bad debt expense	-	236,771	-	-	-	-	236,771
Depreciation	-	87,884	-	-	-	-	87,884
Interest	-	-	69,813	-	-	-	69,813
Taxes	33,692	23,049	58,096	-	-	-	114,837
Total	\$ 593,010	\$ 660,964	\$ 808,924	\$ 118,696	\$ 16,700	\$ 8,461	\$ 2,206,755

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021:

Net assets with donor restrictions:	
Subject to expenditure for specified purpose:	
Scholarships and awards	\$ 540,638
Interest in net assets of affiliate	1,535
Total	<u>542,173</u>
Subject to the passage of time:	
General endowments	<u>280,441</u>
Subject to restriction in perpetuity:	
General endowments	692,807
Scholarships and awards	1,403,409
Total	<u>2,096,216</u>
Total net assets with donor restrictions	<u>\$ 2,918,830</u>

Note 12 - Endowment Funds

The Seminary's endowment consists of numerous individual funds established for a variety of purposes and includes both donor-restricted and Board of Trustees designated funds. 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 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 net assets with donor restrictions (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 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 return from income and the appreciation of investments, the investment policies of the Seminary and other resources of the Seminary.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 12 - Endowment Funds (continued)

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.

To satisfy its long-term rate-of-return objectives, the Seminary relies on a balanced investment 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 guided by its policy.

The Seminary has a policy of appropriating for distribution accumulated investment income (interest and dividends) 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.

Changes in endowment net assets in 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	\$ 253,615	\$ 2,642,853	\$ 2,896,468
Investment return:			
Investment income	13,807	25,991	39,798
Net realized and unrealized gains	218,264	472,030	690,294
Total investment return	232,071	498,021	730,092
Transfers/contributions	495,620	220,426	716,046
Funds released from restriction	-	(442,470)	(442,470)
Endowment net assets, June 30, 2021	\$ 981,306	\$ 2,918,830	\$ 3,900,136

Note 13 - Prior Period Adjustment

During the year ended June 30, 2021, Seminary management was made aware of an investment account in the name of the Seminary in the amount of \$159,308 that had been previously unreported in the Seminary's financial statements.

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 13 - Prior Period Adjustment (continued)

The effect of the adjustment to net assets is as follows:

Net assets without donor restrictions beginning of year as previously reported	\$ 2,143,697
To recognize the investment account	<u>159,308</u>
Net assets without donor restrictions beginning of year, restated	<u><u>\$ 2,303,005</u></u>

SUPPLEMENTARY INFORMATION

ST. TIKHON'S ORTHODOX THEOLOGICAL SEMINARY
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND
OPERATIONS EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Instructional	
Faculty wages	\$ 270,625
Adjunct faculty	132,448
Employee benefits	57,080
Donated services	70,008
Pension	24,857
Payroll taxes	33,692
Payroll processing	2,459
Faculty travel	1,841
Total Instructional	<u>\$ 593,010</u>
Administrative	
Staff wages	\$ 466,660
Professional fees	5,210
Employee benefits	98,425
Pension	42,864
Dues and subscriptions	39,727
Payroll taxes	58,096
Interest	69,813
Postage	7,731
Conferences	5,070
Equipment lease	8,645
Licenses	5,118
Catering	1,158
Development and promotions	407
Total Administrative	<u>\$ 808,924</u>
Operations	
Depreciation	\$ 87,884
Utilities	71,158
Insurance	50,007
Repairs and Maintenance	154,770
Telephone	12,596
Supplies	24,729
Taxes	23,049
Bad debt	236,771
Total Operations	<u>\$ 660,964</u>