



St. Tikhon's Orthodox Theological Seminary

Financial Statements and
Supplemental Information

June 30, 2019 and 2018

St. Tikhon's Orthodox Theological Seminary

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Independent Auditors' Report

Board of Trustees
St. Tikhon's Orthodox Theological Seminary

Report on the Financial Statements

We have audited the accompanying financial statements of St. Tikhon's Orthodox Theological Seminary, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Tikhon's Orthodox Theological Seminary as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were 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 19 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 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.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
April 2, 2020

St. Tikhon's Orthodox Theological Seminary

Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 110,722	\$ 143,076
Tuition and other receivables	28,372	51,806
Contributions receivable	225,000	375,335
Total current assets	364,094	570,217
Cash and Cash Equivalents, Designated	206,664	178,657
Contributions Receivable	48,094	49,094
Property and Equipment, Net	2,620,628	1,654,101
Certificates of Deposit	520,865	497,068
Investments	1,740,838	1,784,825
Interest in Net Assets of Affiliates	1,535	1,535
Total assets	\$ 5,502,718	\$ 4,735,497
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 20,468	\$ 38,460
Line of credit	459,000	300,000
Accounts payable	56,124	44,762
Payroll taxes payable	4,313	738
Student deposits	14,791	15,786
Total current liabilities	554,696	399,746
Long-Term Debt	378,376	355,518
Total liabilities	933,072	755,264
Net Assets		
Without donor restrictions:		
Undesignated	1,776,650	1,093,718
Board designated	304,539	212,909
	2,081,189	1,306,627
With donor restrictions	2,488,457	2,673,606
Total net assets	4,569,646	3,980,233
Total liabilities and net assets	\$ 5,502,718	\$ 4,735,497

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Activities

Years Ended June 30, 2019 and 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions		
Support and Revenue		
Contributions	\$ 1,379,573	\$ 990,974
Bequests	940,999	247,540
Tuition, less scholarships applied of \$301,581 in 2019 and \$165,586 in 2018	54,239	61,064
Net assets released from restriction	543,869	588,232
Mission choir donations	71,847	54,720
Contributed services	136,200	98,250
Miscellaneous	92,345	92,309
Investment income	26,232	61,394
Total support and revenue	3,245,304	2,194,483
Expenses		
Instructional	702,414	676,010
Operations	474,056	745,186
Administrative	739,429	557,581
Student services	520,276	284,432
Fundraising	15,319	15,327
Library	19,248	21,383
Total expenses	2,470,742	2,299,919
Increase (decrease) in net assets without donor restrictions	774,562	(105,436)
Changes in Net Assets With Donor Restrictions		
Investment income	67,703	61,392
Contributions	291,017	478,733
Net assets released from restriction	(543,869)	(588,232)
Change in interest in net assets of affiliate	-	(906)
Decrease in net assets with donor restrictions	(185,149)	(49,013)
Change in net assets	\$ 589,413	\$ (154,449)

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Changes in Net Assets

Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, June 30, 2017	\$ 1,412,063	\$ 2,722,619	\$ 4,134,682
Decrease in net assets	<u>(105,436)</u>	<u>(49,013)</u>	<u>(154,449)</u>
Net Assets, June 30, 2018	1,306,627	2,673,606	3,980,233
Increase (decrease) in net assets	<u>774,562</u>	<u>(185,149)</u>	<u>589,413</u>
Net Assets, June 30, 2019	<u><u>\$ 2,081,189</u></u>	<u><u>\$ 2,488,457</u></u>	<u><u>\$ 4,569,646</u></u>

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 589,413	\$ (154,449)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	75,455	52,187
Impairment of property and equipment	135,000	421,568
Change in interest in net assets of affiliate	-	906
Net realized and unrealized gain on investments	(14,814)	(72,422)
Restricted contributions	(291,017)	(478,733)
Changes in assets and liabilities:		
Tuition and other receivables	23,434	(23,348)
Contributions receivable	151,335	-
Accounts payable	11,362	33,810
Payroll taxes payable	3,575	738
Student deposits	(995)	(620)
Net cash provided by (used in) operating activities	682,748	(220,363)
Cash Flows From Investing Activities		
Purchase of investments	(807,477)	(1,594,281)
Proceeds from sale of investments	1,157,295	2,458,118
Purchase of property and equipment	(1,176,982)	(421,588)
(Increase) decrease in certificates of deposit	(23,797)	43,289
Net cash (used in) provided by investing activities	(850,961)	485,538
Cash Flows From Financing Activities		
Borrowings (repayment) on revolving line of credit	159,000	(170,581)
Borrowings of long-term debt	225,000	-
Repayment of long-term debt	(220,134)	(39,445)
Net cash provided by (used in) financing activities	163,866	(210,026)
Net change in cash and cash equivalents	(4,347)	55,149
Cash and Cash Equivalents, Beginning	321,733	266,584
Cash and Cash Equivalents, Ending	\$ 317,386	\$ 321,733
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 52,268	\$ 22,519

See notes to financial statements

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

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 April 2, 2020 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. 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.

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

Tuition and Other Receivables

Tuition and other receivables are reported at net realizable value. There is no provision for doubtful accounts as management believes all amounts are collectible based on management's periodic review of individual accounts.

Certificates of Deposit

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

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 without donor restricted income 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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Property and Equipment, Net

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.

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.

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 \$19,000 in 2019 and \$28,000 in 2018.

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.

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. Student accounts receivable includes amounts to which the Seminary is unconditionally entitled. In connection with the adoption of the revenue recognition standard in fiscal 2019, 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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Net Assets

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets of the Seminary and changes therein are classified and reported as follows:

- *Without donor restrictions* are currently available at the direction of the Board of Trustees for use in operations, invested in property and equipment, or as endowments.
- *With donor restrictions* are stipulated by donors for specific operating purposes, for the acquisition of property and equipment, time restricted, or for holding in perpetuity with investment return used for operations and scholarships.

Contributed Services

For the years ended June 30, 2019 and 2018, the Seminary recorded contributions in the amount of \$136,200 and \$98,250, respectfully, 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.

Contributions

Unconditional promises to give are recorded at the present value of estimated future cash flows. In 2019 and 2018, the Seminary used a discount rate of 2.63 percent. 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 restrictions.

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met.

The Seminary has been named a beneficiary of the Meshanko Memorial Fund for St. Tikhon's (the Fund), a component fund of The Pittsburgh Foundation (the Foundation). Once the Meshanko estate is fully settled, the value of the Fund is estimated to be approximately \$1,000,000. The Seminary has not yet recognized this amount as the estate has not been probated. The Seminary expects approximately 4 percent of the 36 month value of the Fund to be distributed for scholarship aid for students each year. The Seminary's recommended eligible scholarship candidates are subject to approval by the Foundation on an annual basis. The Foundation can utilize its variance power to redirect the distributions to a not-for-profit organization with a similar mission.

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 2019 and 2018.

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Notes to Financial Statements

June 30, 2019 and 2018

Reclassification

Certain amounts relating to 2018 have been reclassified to conform to the 2019 reporting format.

Accounting Standards Adopted in 2019

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue for contracts with customers. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Seminary adopted ASU 2014-09 in fiscal 2019 using the modified retrospective transition method which provides for application of the new standard to uncompleted contracts at the date of adoption (July 1, 2018) without revising prior periods. The Seminary determined tuition and miscellaneous income were in scope of the standard. Other revenues related to contributions and investment return were determined to be out of scope as they are covered by other accounting guidance.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Seminary adopted ASU No. 2016-14 in fiscal 2019 and has applied the changes retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and natural classification of expenses which have been presented for fiscal 2019 only as permitted by the guidance. The new standard changed the following aspects of the Seminary's financial statements:

- Unrestricted net assets has been renamed "net assets without donor restrictions".
- Temporarily and permanently restricted net assets have been renamed "net assets with donor restrictions".
- The disclosure of the Seminary's functional expenses was expanded to include the natural classification of expenses (Note 9)
- A disclosure about liquidity and availability of resources was added (Note 5)

The effect on the Seminary's net asset balances at June 30, 2018 as a result of implementing ASU 2016-14 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning, as previously presented:			
Unrestricted	\$ 1,306,627	\$ -	\$ 1,306,627
Temporarily restricted	-	966,913	966,913
Permanently restricted	-	1,706,693	1,706,693
Net assets, beginning as restated	<u>\$ 1,306,627</u>	<u>\$ 2,673,606</u>	<u>\$ 3,980,233</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in: (1) evaluating whether transactions should be accounted for as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction) subject to other guidance, and (2) determining whether a contribution is conditional. The Seminary adopted ASU 2018-08 in fiscal 2019. The guidance is only applied to agreements that were not completed at the date of adoption (July 1, 2018) and those entered into after that date. The guidance cannot be applied retrospectively. The Seminary determined there were no significant changes to its financial statements from applying the new guidance as compared to prior guidance.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash and amounts generally described as restricted cash. Therefore, amounts generally described as restricted cash should be included with the cash when reconciling the amounts shown in the statements of cash flows. ASU 2016-18 is effective for the Seminary in fiscal 2020 but the Seminary elected to early adopt the guidance in fiscal 2019. The Seminary determined there was no significant changes to its financial statements from applying the new guidance as compared to prior guidance. Accordingly, cash and cash equivalents designated are now included in the total of cash and cash equivalents. Beginning cash and cash equivalents was increased by \$215,654 and ending cash and cash equivalents was increased by \$178,657 in 2018 as a result of the adoption.

2. Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2019	2018
Contributions receivable in:		
Less than one year	\$ 225,000	\$ 375,335
One year to five years	50,000	50,000
Subtotal	275,000	425,335
Less unamortized discount	1,906	906
Total	\$ 273,094	\$ 424,429

Based on assessment of the donors involved, management expects all of the unconditional contributions receivable to be collected as promised. Therefore, no allowance for uncollectible receivables has been established.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

3. Property and Equipment, Net

Property and equipment, net is as follows at June 30:

	2019	2018
Land	\$ 70,601	\$ 70,601
Buildings and improvements	2,910,891	2,456,727
Furniture	109,065	109,065
Equipment	119,949	49,913
Construction in progress	679,563	26,780
Vehicle	68,967	68,968
Total	3,959,036	2,782,054
Less accumulated depreciation	1,403,408	1,327,953
Net	2,555,628	1,454,101
Building (not yet placed in service) ^(a)	65,000	200,000
Property and equipment, net	\$ 2,620,628	\$ 1,654,101

- a) In 2018, the Seminary determined that it was not financially feasible to pursue the renovation of this structure for student housing purposes. The property is considered held for sale and carried at the lower of cost or fair value. In 2018, the Seminary recognized an impairment charge of \$421,568 to reduce the carrying value to its estimated fair value. In 2019, an additional impairment charge of \$135,000 was recognized to reduce the carrying value to its estimated fair value.

4. Investments and Fair Value Measurements

The composition of investments is as follows at June 30:

	2019	2018
Money market	\$ 175,968	\$ 79,172
Corporate bonds	-	29,958
Marketable equity securities	1,564,870	1,675,695
Total	\$ 1,740,838	\$ 1,784,825

Investment return is comprised of the following for the years ended June 30:

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 25,303	\$ 53,818	\$ 79,121	\$ 49,270	\$ 1,094	\$ 50,364
Realized and unrealized gains on investments	929	13,885	14,814	12,124	60,298	72,422
Total investment return	\$ 26,232	\$ 67,703	\$ 93,935	\$ 61,394	\$ 61,392	\$ 122,786

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Investment fees totaled \$8,968 and \$11,824 in 2019 and 2018, respectively. These amounts 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 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.

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

	2019		
	Total	Level 1	Level 2
Money market	\$ 175,968	\$ 175,968	\$ -
Marketable equity securities	1,564,870	1,564,870	-
Total investments	<u>\$ 1,740,838</u>	<u>\$ 1,740,838</u>	<u>\$ -</u>
Certificates of deposit	<u>\$ 510,052</u>	<u>\$ -</u>	<u>\$ 510,052</u>
	2018		
	Total	Level 1	Level 2
Money market	\$ 79,172	\$ 79,172	\$ -
Corporate bonds	29,958	-	29,958
Marketable equity securities	1,675,695	1,675,695	-
Total investments	<u>\$ 1,784,825</u>	<u>\$ 1,754,867</u>	<u>\$ 29,958</u>
Certificates of deposit	<u>\$ 497,068</u>	<u>\$ -</u>	<u>\$ 497,068</u>

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

The carrying value of money market accounts approximates 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. Corporate bonds are measured using prices for similar assets. Certificates of deposit are measured at cost which approximates fair value.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

5. Liquidity and Funds Available

The following table reflects the Seminary's financial assets at June 30, 2019 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 approves that action.

Cash and cash equivalents	\$ 110,722
Tuition and other receivables	<u>28,372</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 139,094</u>

As of June 30, 2019, the Seminary has liquid assets on hand to cover approximately 21 days of operating expenses. 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 \$41,000 is available, which can be drawn upon in the event of a liquidity need.

6. 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 (5.50 percent at June 30, 2019). The line of credit is secured by the business assets of the Seminary and renews annually. Borrowings totaled \$459,000 and \$300,000 at June 30, 2019 and 2018, respectively.

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, 2019.

7. Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Term note with bank, payable in monthly payments of \$2,261 including interest at 4% through December 2021 at which time a balloon payment will be due; secured by investments valued at 125% or more of the loan value	\$ 173,844	\$ 192,090
Term note with individual, payable in full in a balloon payment due December 2020 including interest at 10%; secured by real estate.	225,000	-
Debt repaid in 2019	<u>-</u>	<u>201,888</u>
Total	398,844	393,978
Less current portion	<u>20,468</u>	<u>38,460</u>
Long-term debt	<u>\$ 378,376</u>	<u>\$ 355,518</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

Scheduled principal repayments of long-term debt as of June 30, 2019 are as follows:

Years ending June 30:	
2020	\$ 20,468
2021	246,320
2022	132,056
Total	\$ 398,844

8. Pension Plan

The Seminary participates in the Orthodox Church in America Pension Plan (the Plan). The Plan is a non-electing 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 to time based upon the results of these valuations.

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. 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, 2018) 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.

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements

June 30, 2019 and 2018

9. Functional Expenses

The table below presents the Seminary's expenses by nature and function.

	Instructional	Operations	Administrative	Student Services	Fundraising	Library	Total 2019	Total 2018
Salaries and wages	\$ 311,680	\$ -	\$ 360,358	\$ -	\$ -	\$ -	\$ 672,038	\$ 570,239
Employee benefits	207,615	-	205,638	-	-	-	413,253	344,164
Supplies and other, general	26,851	70,008	124,124	520,276	15,319	19,248	775,826	603,463
Donated services	136,200	-	-	-	-	-	136,200	98,250
Impairment	-	135,000	-	-	-	-	135,000	421,568
Insurance	-	86,207	-	-	-	-	86,207	50,032
Utilities	-	75,661	-	-	-	-	75,661	60,966
Depreciation	-	75,455	-	-	-	-	150,910	52,187
Interest	-	29,561	22,707	-	-	-	104,536	43,330
Taxes	20,068	2,164	26,602	-	-	-	48,834	55,720
Total	<u>\$ 702,414</u>	<u>\$ 474,056</u>	<u>\$ 739,429</u>	<u>\$ 520,276</u>	<u>\$ 15,319</u>	<u>\$ 19,248</u>	<u>\$ 2,598,465</u>	<u>\$ 2,299,919</u>

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Net assets with donor restrictions:		
Subject to expenditure for a specified purpose:		
Scholarships and awards	\$ 239,074	\$ 302,281
Interest in net assets of affiliate	1,535	1,535
Contributions receivable	273,094	424,429
Total	513,703	728,246
Subject to the passage of time:		
General endowments	218,061	238,667
Total	218,061	238,667
Subject to restriction in perpetuity:		
General endowments	1,071,224	1,071,224
Scholarships	685,469	635,469
Total	1,756,693	1,706,693
Total net assets with donor restrictions	<u>\$ 2,488,457</u>	<u>\$ 2,673,606</u>

11. 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 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 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.

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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.

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 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ 212,909	\$ 2,672,071	\$ 2,884,980
Investment return:			
Investment income	25,303	53,818	79,121
Net realized and unrealized gains	929	13,885	14,814
Total investment return	26,232	67,703	93,935
Transfers/contributions	65,398	291,017	306,415
Funds released from restriction	-	(543,869)	(543,869)
Endowment net assets, June 30, 2019	<u>\$ 304,539</u>	<u>\$ 2,486,922</u>	<u>\$ 2,741,461</u>

St. Tikhon's Orthodox Theological Seminary

Notes to Financial Statements
June 30, 2019 and 2018

Changes in endowment net assets in 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	\$ 557,769	\$ 2,720,178	\$ 3,277,947
Investment return:			
Investment income	49,270	1,094	50,364
Net realized and unrealized gains	12,124	60,298	72,422
Total investment return	61,394	61,392	122,786
Transfers/contributions	(406,254)	478,733	72,479
Funds released from restriction	-	(588,232)	(588,232)
Endowment net assets, June 30, 2018	\$ 212,909	\$ 2,672,071	\$ 2,884,980

St. Tikhon's Orthodox Theological Seminary

Schedules of Instructional, Administrative and Operations Expenses

Years Ended June 30, 2019 and 2018

	2019	2018
Instructional		
Faculty wages	\$ 270,580	\$ 292,449
Employee benefits	124,664	126,067
Donated services	136,200	98,250
Adjunct faculty	41,100	22,563
Pension	30,466	43,082
Faculty housing	52,485	38,640
Payroll taxes	20,068	29,532
Faculty travel	26,851	25,427
Total instructional	<u>\$ 702,414</u>	<u>\$ 676,010</u>
Administrative		
Staff wages	\$ 360,358	\$ 255,227
Employee benefits	165,253	111,796
Professional fees	41,763	44,895
Office supplies	20,275	27,343
Printing	20,919	21,126
Payroll taxes	26,602	26,188
Interest	22,707	20,201
Pension	40,385	24,579
Automobile	14,490	13,038
Equipment lease	4,911	4,903
Conferences	18,165	8,211
Dues and subscriptions	3,601	74
Total administrative	<u>\$ 739,429</u>	<u>\$ 557,581</u>
Operations		
Impairment of property	\$ 135,000	\$ 421,568
Repairs and maintenance	47,844	110,454
Insurance	86,207	50,032
Utilities	75,661	60,966
Depreciation	75,455	52,187
Interest	29,561	23,129
Trash removal	11,460	12,385
Telephone	9,663	8,305
Bad debt	118	3,675
Taxes	2,164	-
Supplies	923	2,485
Total operations	<u>\$ 474,056</u>	<u>\$ 745,186</u>