

Saint Photios Orthodox Theological Seminary

Etna, California

FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORTS

May 31, 2021



Saint Photios Orthodox Theological Seminary

TABLE OF CONTENTS

May 31, 2021

	<u>Page Number</u>
Independent Auditors' Report	1
 FINANCIAL SECTION	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Saint Photios Orthodox Theological Seminary
Etna, California

Report on the Financial Statements

We have audited the accompanying financial statements of Saint Photios Orthodox Theological Seminary (the Seminary), a nonprofit organization, which comprise the statement of financial position as of May 31, 2021, and the related statements of activities, functional expenses, 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 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 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 auditors' 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 Seminary'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 Seminary'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seminary as of May 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

AGT CPAs & Advisors

AGT CPAs & Advisors
Mt. Shasta, California
January 20, 2022

FINANCIAL SECTION

Saint Photios Orthodox Theological Seminary

STATEMENT OF FINANCIAL POSITION

May 31, 2021

ASSETS	
Cash and cash equivalents	\$ 82,707
Investments	686,988
Other assets	750
Property and equipment - net	1,577,499
TOTAL ASSETS	\$ 2,347,944

LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued liabilities	\$ 21,530
Note payable	444,433
Total Liabilities	465,963
Net Assets	
Without donor restrictions	1,684,534
With donor restrictions	197,447
Total Net Assets	1,881,981
TOTAL LIABILITIES AND NET ASSETS	\$ 2,347,944

The accompanying notes are an integral part of these financial statements.

Saint Photios Orthodox Theological Seminary

STATEMENT OF ACTIVITIES

Year Ended May 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 99,103	\$ 64,867	\$ 163,970
Monastic community support	165,090	-	165,090
Program income			
Tuition and fees	51,778	-	51,778
Room and board	21,905	-	21,905
Net investment income	117,251	-	117,251
Other	3,536	-	3,536
Total Revenue and Support	458,663	64,867	523,530
Net assets released from restrictions	47,701	(47,701)	-
Total Revenue, Support, and Net Assets Released From Restrictions	506,364	17,166	523,530
Expenses			
Program services:			
Seminary	444,537	-	444,537
Total Program Services	444,537	-	444,537
Supporting services:			
Management and general	18,163	-	18,163
Fundraising and marketing	58,085	-	58,085
Total Supporting Services	76,248	-	76,248
Total Expenses	520,785	-	520,785
Change in Net Assets	(14,421)	17,166	2,745
Net Assets - Beginning of Year	1,698,955	180,281	1,879,236
Net Assets - End of Year	\$ 1,684,534	\$ 197,447	\$ 1,881,981

The accompanying notes are an integral part of these financial statements.

Saint Photios Orthodox Theological Seminary

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2021	Program Services		Supporting Services		Total
	Seminary	Management and General	Fundraising and Marketing		
Professional services	\$ 201,692	\$ 17,650	\$ 15,262	\$	234,604
Depreciation	74,303	-	-		74,303
Salaries	12,343	-	42,823		55,166
Supplies & small equipment	37,499	-	-		37,499
Scholarships	29,370	-	-		29,370
Meals	16,849	-	-		16,849
Facilities	15,528	-	-		15,528
Utilities and related	14,024	-	-		14,024
Interest	12,463	-	-		12,463
Housing costs	9,865	-	-		9,865
Travel and conferences	5,369	284	-		5,653
Other	15,232	229	-		15,461
Total Expenses	\$ 444,537	\$ 18,163	\$ 58,085	\$	520,785

The accompanying notes are an integral part of these financial statements.

Saint Photios Orthodox Theological Seminary

STATEMENT OF CASH FLOWS

Year Ended May 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	2,745
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		74,303
Unrealized and realized (gain) loss on investments		(97,800)
(Increase) decrease in:		
Other assets		400
Increase (decrease) in:		
Accounts payable and accrued liabilities		9,437

Net Cash Used by Operating Activities		(10,915)
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CASH FLOWS FROM INVESTING ACTIVITIES

Payments for the purchase of property and equipment		(132,563)
Payments for purchase of investments		(165,136)

Net Cash Used by Investing Activities		(297,699)
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from debt		271,592
Principal payments on debt		(9,664)

Net Cash Provided by Financing Activities		261,928
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Net Decrease in Cash		(46,686)
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Cash and Cash Equivalents - Beginning of Year		129,393
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Cash and Cash Equivalents - End of Year	\$	82,707
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SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash Paid for Interest	\$	12,463
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Cash Paid for Income Taxes	\$	-
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The accompanying notes are an integral part of these financial statements.

Saint Photios Orthodox Theological Seminary

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities Saint Photios Orthodox Theological Seminary (the Seminary) is a California nonprofit religious corporation incorporated in 2015. The mission of the Seminary is to serve the Church of the Genuine Orthodox Christians of Greece and the wider witness by preparing candidates for the Priesthood and Diaconate to minister to the parishes of its Eparchy in the U.S.A. and Canada, as well as future missions in North America.

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Seminary considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalent.

Financial Instruments and Credit Risk The Seminary's financial instruments that are potentially exposed to concentration of credit risk consists primarily of cash, cash equivalents, and short-term investments. In accordance with its investment policy, the Seminary places its temporary cash investments with high quality credit institutions. At May 31, 2021, the Seminary had no cash and cash equivalents in excess of the FDIC insured limit.

Investments Investments in marketable securities with readily determinable fair values are stated at fair market value on the Statement of Financial Position. Unrealized gains and losses are included in the changes in net assets on the Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restriction if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment Property and equipment of \$1,000 or more are capitalized at cost when purchased, or at fair market value when contributed. Expenditures for maintenance and repairs are charged to expense as incurred whereas major betterments are capitalized. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset. The estimated useful lives of current property and equipment range as follows:

Buildings	40 Years
Land improvements	20 Years
Furniture and equipment	4-10 Years
Library materials	10 Years

Saint Photios Orthodox Theological Seminary

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Basis of Presentation The Seminary's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Seminary is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Seminary reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition The Seminary recognizes contributions as revenue when they are unconditionally pledged or when they are received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Seminary receives program revenue for tuition and room and board fees from students attending Seminary. The Seminary records program revenue when earned.

Functional Allocation of Expenses The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting service. For the year ended May 31, 2021, the costs are categorized according to actual usage of those funds.

Income Taxes The Seminary is a nonprofit religious corporation operating under Section 501(c)(3) of the *Internal Revenue Code* and 23701(d) of the *California Revenue and Taxation Code* and is exempt from federal and state income taxes. Additionally, The Seminary is classified as an integrated auxiliary of a church and is thus exempt from filing tax returns with the federal and California taxing authorities. Accordingly, no provision for income taxes is included in these financial statements. Management believes that it has appropriate support for any tax positions taken; accordingly, management believes there are no uncertain tax positions that are material to the financial statements.

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.

Saint Photios Orthodox Theological Seminary

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Subsequent Events The Seminary has evaluated subsequent events through January 20, 2022, which is the date the financial statements were available to be issued, and determined there are no significant subsequent events to be disclosed.

Change in Accounting Principle In May 2014 the FASB issued a new standard on revenue recognition, ASU 2014-09, *Revenue from Contracts with Customers*, with the intent of creating a new, principle-based revenue recognition framework. The ASU creates a new topic in the FASB Accounting Standards Codification, Topic 606, in addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance. The main provisions of the ASU relate to timing of revenue recognition and expanded and improved disclosures about revenue. In May 2020, the FASB issued ASU 2020-05, which delayed the effective date of the standard to fiscal years beginning after December 15, 2019. The implementation of this standard had no effect on the beginning net assets of the Seminary.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

May 31, 2021

Cash and cash equivalents	\$	82,707
Investments		686,988
Less unavailable for general expenditures in one year due to:		
Amounts restricted by donor for purpose		(197,447)
Total	\$	572,248

The Seminary maintains sufficient cash in banks to meet ongoing daily or monthly operational expenses. Excess cash is invested and can be converted back to cash within 30 days.

3. FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Seminary has the ability to access.

Saint Photios Orthodox Theological Seminary

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means; if the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Seminary's assets and liabilities at fair value for the years ended May 31, 2021. Level 2 investment values are based on the Net Asset Value (NAV) per share as listed in the prospectus.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

May 31, 2021	Level 1	Level 2	Level 3	Total
Exchange traded funds:				
Large-cap blended funds	\$ 123,912	\$ -	\$ -	123,912
Large and mid-cap growth funds	71,719	-	-	71,719
Large and mid-cap value funds	71,703	-	-	71,703
Long term growth fund	33,165	-	-	33,165
Fixed Income:				
High yield bond funds	136,756	-	-	136,756
Corporate lending funds	55,093	-	-	55,093
Equity:				
Medium and mid-cap growth funds	77,112	-	-	77,112
Foreign large growth funds	50,787	-	-	50,787
Diversified emerging market funds	16,054	-	-	16,054
Real estate investment trust security	-	50,687	-	50,687
Total	\$ 636,301	\$ 50,687	\$ -	686,988

Saint Photios Orthodox Theological Seminary

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

May 31, 2021

Nondepreciable Assets	
Land	\$ 119,972
Work in progress	51,338
Total Nondepreciable Assets	171,310
Depreciable Assets	
Buildings	1,194,375
Land improvements	137,558
Furniture and equipment	135,688
Library materials	197,548
Total Depreciable Assets	1,665,169
Less: Accumulated depreciation	258,980
Depreciable Assets - Net	1,406,189
Property and Equipment - Net	\$ 1,577,499

Total depreciation expense for the year was \$74,303.

5. LONG-TERM DEBT

The Seminary entered into a note payable with Banner Bank in April 2020 in the original amount of \$183,485. The note was refinanced in January 2021 for the amount of \$448,500. The note matures in January 2041. The note calls for 120 monthly payments of \$2,842 at an interest rate of 4.5%. Afterwards, there shall be 120 monthly payments of \$2,908 at the U.S. Prime Rate plus 1%. The note is collateralized by real property. The note payable contains certain covenants with which the Seminary must comply. The Seminary was in compliance with these covenants at May 31, 2021.

The following reflects the minimum principal payments on outstanding debt at May 31, 2021:

Years Ending May 31	
2022	\$ 14,394
2023	15,055
2024	15,747
2025	16,470
2026	17,227
Thereafter	365,540
Total	\$ 444,433

Saint Photios Orthodox Theological Seminary

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. NET ASSETS

May 31, 2021

NET ASSETS WITHOUT DONOR RESTRICTION

Undesignated	\$	1,684,534
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Total Net Assets Without Donor Restriction	\$	1,684,534
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NET ASSETS WITH DONOR RESTRICTION

Subject to Expenditures for Specified Purpose

Scholarship	\$	152,911
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Mortgage		43,536
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Other		1,000
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Total Net Assets With Donor Restriction	\$	197,447
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7. NON-CASH CONTRIBUTIONS

Non-cash contributions are recorded at their estimated fair market value. Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Seminary received the following non-cash contributions, which are included in revenue in the Statement of Activities.

May 31, 2020

Seminary services	\$	134,970
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Library services		23,670
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Other		6,450
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Total	\$	165,090
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8. CONTINGENCIES, RISKS, AND UNCERTAINTIES

During the year ended May 31, 2020, the COVID-19 pandemic had world-wide effect. The Seminary has not experienced, and does not expect to experience, any material negative financial or operational impacts from the pandemic.