

**SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY**

**FINANCIAL STATEMENT**

**MAY 31, 2019**

**Saint Photios Orthodox Theological Seminary**  
(a tax exempt corporation)

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**jeffrey  
chitwood**  
certified public accountant  
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Saint Photios Orthodox Theological Seminary

I have audited the accompanying financial statements of Saint Photios Orthodox Theological Seminary (a tax-exempt corporation), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Photios Orthodox Theological Seminary as of May 31, 2019, 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.



Jeffrey Chitwood  
Certified Public Accountant  
Yreka, CA  
November 15, 2019

**Saint Photios Orthodox Theological Seminary**  
(a tax exempt corporation)  
Statement of Financial Position  
May 31, 2019

**ASSETS**

Current Assets

Cash and Cash Equivalents \$ 355,441

Total Current Assets 355,441

Non-Current Assets

Capital Assets, Net Depreciation 1,304,089

Other Assets

Temporarily restricted scholarship fund 238,780

Security Deposits 500

Total Other Assets 239,280

**TOTAL ASSETS** \$ 1,898,810

**LIABILITIES & NET ASSETS**

Liabilities

Current Liabilities

Accounts Payable \$ 14,342

Credit Cards Payable 2,913

Security Deposits 750

Total Current Liabilities 18,005

Total Liabilities 18,005

Net Assets

Unrestricted Net Assets 1,642,025

Temporarily Restricted Net Assets 238,780

Permanently Restricted Net Assets -

Total Net Assets 1,880,805

**TOTAL LIABILITIES & NET ASSETS** \$ 1,898,810

Please refer to the accompanying notes which are an integral part of these financial statements.

**Saint Photios Orthodox Theological Seminary**

(a tax exempt corporation)

## Statement of Activities

For the Year Ended May 31, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Ordinary Support and Revenue				
Support and Revenue				
Scholarship Donations		\$ 25,000		25,000
In-Kind Donations	\$ 223,510			223,510
Tuition and Fees	56,492			56,492
Interest	4,978	6,924		11,902
Other	1,562			1,562
Net Assets Released From Restrictions				
Scholarships	44,130	(44,130)		-
Total Support and Revenue	330,672	(12,206)	-	318,466
Expenses				
Depreciation	54,293			54,293
Facilities and Equipment	8,225			8,225
Operations	69,317			69,317
Professional Services	235,905			235,905
Property & Use Tax	650			650
Travel & Conferences	7,381			7,381
Total Expenses	375,771	-	-	375,771
Change in Net Assets	(45,099)	(12,206)	-	(57,305)
Net Assets Beginning of Year	1,687,124	250,986	-	1,938,110
Net Assets End of Year	<u>\$ 1,642,025</u>	<u>\$ 238,780</u>	<u>\$ -</u>	<u>\$ 1,880,805</u>

Please refer to the accompanying notes which are an integral part of these financial statements.

**Saint Photios Orthodox Theological Seminary**  
(a tax exempt corporation)  
Statement of Cash Flows  
For the Year Ended May 31, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (57,305)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	54,293
Increase Accounts Payable	14,258
Increase in Credit Cards Payable	2,624
Decrease in Security Deposits	<u>250</u>
Net Cash Provided by Operating Activities	<u>14,120</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Building Renovation	(23,036)
Land Improvements	(2,420)
Purchase of Furniture and Equipment	-
Purchase of Library Books	(16,171)
Purchase of Computer Equipment	<u>(3,920)</u>
Net Cash Used by Investing Activities	<u>(45,547)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(31,427)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	625,648
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 594,221</u></u>

Please refer to the accompanying notes which are an integral part of these financial statements.

**Saint Photios Orthodox Theological Seminary**  
(a tax exempt corporation)  
Statement of Functional Expenses  
For the Year Ended May 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Depreciation	\$ 54,293			\$ 54,293
Facilities and Equipment	8,225			8,225
Operations	69,317			69,317
Professional Services	217,376	\$ 18,529		235,905
Travel & Conferences		7,381		7,381
Property & Use Tax	650			650
<b>Total</b>	<b>\$ 349,861</b>	<b>\$ 25,910</b>	<b>\$ -</b>	<b>\$ 375,771</b>

Please refer to the accompanying notes which are an integral part of these financial statements.

# SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

(a tax-exempt corporation)

Notes to the Financial Statements

May 31, 2019

## Note 1: Organization and Nature of Operations

Saint Photios Orthodox Theological Seminary (the Seminary) is a California nonprofit religious corporation which received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code on December 3, 2015. The Seminary was incorporated on June 3, 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.

## Note 2: Summary of Significant Accounting Policies

The summary of significant accounting policies of the Seminary is presented to assist in understanding the Seminary's financial statements. The financial statements and notes are representations of the Seminary's management, which is responsible for the integrity and objectivity for the financial statements. These accounting policies conform to accounting principles generally accepted in the United States and have been consistently applied in the preparation of the financial statements.

*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.

*Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement-of-financial-position date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents.* For purposes of reporting cash flows, the Seminary considers highly liquid debt instruments, if any, purchased with maturity of three months or less, to be cash equivalents.

As of May 31, 2019, the carrying of the Seminary's cash and cash equivalents was \$355,441, as represented in the summary below.

<u>Cash and Cash Equivalents</u>	
Bank Demand Deposits	\$ 79,263
Petty Cash	211
Charles Schwab Investments	<u>275,967</u>
Total	<u>\$ 355,441</u>



## SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

(a tax-exempt corporation)

Notes to the Financial Statements

May 31, 2019

### Note 2: Summary of Significant Accounting Policies (continued)

*Custodial Credit Risks-Deposits.* Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the Seminary's deposits may not be returned to it. The majority of the Seminary's demand deposits are on deposit with Scott Valley Bank. The certificate of deposit is on deposit with Charles Schwab. Except for petty cash held by the Seminary, up to \$250,000 in demand deposits held at Mechanics Bank are insured by the Federal Deposit Insurance Corporation (FDIC).

*Assets and Depreciation.* Assets purchased for general purposes with a cost of \$1,000 or more are capitalized at cost, donated assets are capitalized a fair value when the donation is received. Depreciation expense is calculated using the straight-line method over four to forty years as follows: Building, forty years; computers and software, four years; furniture, ten years; land improvements, twenty years; library books, ten years; and machinery and equipment, seven years.

The following is a summary of capital assets as of May 31, 2019.

	Cost/Basis	Accumulated Depreciation	Net
Building	\$ 1,010,104	\$ (57,528)	\$ 952,576
Land	60,000	-	60,000
Land Improvements	129,273	(10,891)	118,382
Furniture	52,995	(13,369)	39,626
Library Books	133,530	(23,135)	110,395
Machinery and Equipment	19,775	(7,304)	12,471
Computer Equipment	18,960	(8,321)	10,639
Totals	<u>\$ 1,424,637</u>	<u>\$ (120,548)</u>	<u>\$ 1,304,089</u>

Depreciation expense for the year end May 31, 2019 was \$54,293.

There were no disposals of capital assets during the year ended May 31, 2019.

Additions to capital assets were \$23,036 in building renovations, \$2,420 in land improvements, \$16,171 of library books and, \$3,920 of computer equipment for the year ended May 31, 2019.

*Accounts Payable and Accrued Liabilities.* At May 31, 2019, accrued payables were \$14,342, all due to vendors.

## SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

(a tax-exempt corporation)

Notes to the Financial Statements

May 31, 2019

### **Note 2:** Summary of Significant Accounting Policies (continued)

*Credit cards payable.* Credit cards payable is comprised of \$2,913 due to Capital One. The credit card is used to pay bills that are part of the normal operations of the Seminary. It is the policy of the Seminary to pay the full balance due within the grace period so that no interest charges are incurred. The Capital One card has a maximum credit limit of \$30,000 and Costco Visa has a maximum credit limit of \$5,000. Interest rates on unpaid balances were 18.24% for Capital one and 16.49% for Costco Visa as of May 31, 2019.

*Donations.* Donations, including unconditional promises to give, are recognized as support in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Donor contributions to the scholarship fund are reported as increases in temporarily restricted net assets.

*Donated items and services (In-Kind Donations).* Donated items 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. For the year ended May 31, 2019, the Seminary recorded non-cash donated items totaling \$4,091 and non-cash donated services totaling \$233,510.

*Income Tax Status.* The Seminary is exempt from income taxes as a nonprofit religious corporation under Section 501(c)(3) of the Internal Revenue Code.

### **Note 3:** Related Parties

*Donors who are Board Members.* During the year ended May 31, 2019, two donors, both of whom are also members of the Board of Directors of the Seminary, each contributed more than 10% of the donations received to date.

*Ruling Bishop Who is President and Rector.* The Seminary is organized to serve the needs of the American Eparchy of the Church of the Genuine Orthodox Christians of Greece, of which Eparchy the Diocese of Etna and Portland is a constituent subdivision. The Ruling Bishop of the Diocese of Etna and Portland is also President (C.E.O.) and Rector of the Seminary.

**SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY**  
(a tax-exempt corporation)  
Notes to the Financial Statements  
May 31, 2019

**Note 4: Restrictions on Net Assets**

Permanently restricted net assets are funds to be held indefinitely. Contributions to the funds are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely. The organization does not have any Permanently restricted net assets.

Temporary restricted net assets are comprised of donations to the organization's scholarship fund. The restrictions on the net assets are released as the funds are used to pay student fees and tuition.

The composition of scholarship fund net assets as of May 31, 2019 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Scholarship net assets, June 1, 2018	\$ 250,986		\$ 250,986
Contributions	25,000		25,000
Investment income	6,924		6,924
Amounts appropriated for expenditure	<u>(44,130)</u>		<u>(44,130)</u>
Scholarship net assets, May 31, 2019	<u>\$ 238,780</u>	<u>\$ -</u>	<u>\$ 238,780</u>

**Note 5: Evaluation of Subsequent Events**

The Saint Photios Orthodox Theological Seminary has evaluated subsequent events through November 15, 2019 the date which the financial statements were available to be issued.