

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

Financial Statements For The Fiscal Year Ended May 31, 2024

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

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Independent Accountants' Audit Report

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

Opinion

We have audited the accompanying financial statements of Saint Photios Orthodox Theological Seminary, (a nonprofit organization), which comprise the statement of financial position as of May 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our 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, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Saint Photios Orthodox Theological Seminary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Saint Photios Orthodox Theological Seminary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Saint Photios Orthodox Theological Seminary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Saint Photios Orthodox Theological Seminary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Giannakopoulos & Giannakopoulos, CPAs

Giannakopoulos & Giannakopoulos, CPAs
Astoria, NY
December 14, 2023

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF FINANCIAL POSITION

At May 31, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$	39,739	
Investments (See note 3)		36,738	
Other assets		3,889	
Total Current Assets			\$ 80,366

Long Term Assets

Property and equipment - net (See note 4)		2,074,579	
Total Long Term Assets			<u>2,074,579</u>

TOTAL ASSETS

\$ 2,154,945

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$	40,442	
Current portion of notes payable (See note 5)		16,502	
Other current liabilities		2,968	
Total Current Liabilities			\$ 59,912

Long term Liabilities

Due to related party - net (See note 8)		91,364	
Notes payable (See note 5)		382,656	
Total Long Term Liabilities			<u>474,020</u>

TOTAL LIABILITIES

533,932

Net Assets

Without donor restrictions		1,336,675	
With donor restrictions (See note 6)		284,338	
Total Net Assets			<u>1,621,013</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,154,945

See independent accountants' audit report and notes to the financial statements

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 412,832	\$ 196,670	\$ 609,502
Scholarship	-	14,100	14,100
Monastic community support (See note 7)	239,760	-	239,760
Program income			-
Tuition and fees	78,888	-	78,888
Room and board	45,316	-	45,316
Net investment income (See note 3)	727	-	727
Other	4,304	-	4,304
Total Revenue and Support	781,827	210,770	992,597
Net assets released from restrictions	137,586	(137,586)	-
TOTAL REVENUE, SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS	\$ 919,413	\$ 73,184	\$ 992,597
EXPENSES			
Program services:			
Seminary	942,783	-	942,783
Total Program Services	942,783	-	942,783
Supporting services:			
Management and general	19,195	-	19,195
Fundraising and marketing	143,374	-	143,374
Total Supporting Services	162,569	-	162,569
TOTAL EXPENSES	1,105,352	-	1,105,352
CHANGE IN NET ASSETS	(185,939)	73,184	(112,755)
NET ASSETS - BEGINNING OF YEAR	1,522,614	211,154	1,733,768
NET ASSETS - END OF YEAR	1,336,675	284,338	1,621,013

See independent accountants' audit report and notes to the financial statements

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended May 31, 2024

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Seminary</u>	<u>Management and General</u>	<u>Fundraising and Marketing</u>		
Professional services	\$ 244,006	\$ 19,180	\$ 66	\$ 263,252	
Depreciation	88,671	-	896	89,567	
Bad Debt Expense	2,175	-	-	2,175	
Salaries	339,301	-	57,585	396,886	
Supplies & small equipment	43,085	-	280	43,365	
Scholarships	51,950	-	-	51,950	
Meals	17,641	-	-	17,641	
Facilities	20,540	-	147	20,687	
Utilities and related expenses	26,846	-	271	27,117	
Interest expense	22,713	-	229	22,942	
Housing costs	36,600	-	-	36,600	
Travel and conferences	1,277	-	-	1,277	
Advertising	-	-	82,439	82,439	
Other	47,978	15	1,461	49,454	
TOTAL EXPENSES	\$ 942,783	\$ 19,195	\$ 143,374	\$ 1,105,352	

See independent accountants' audit report and notes to the financial statements

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

STATEMENT OF CASH FLOWS For the Fiscal Year Ended May 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (112,755)
Adjustments to reconcile change in net assets to net cash:	
Depreciation	89,567
Unrealized and realized (gain) loss on investments	1,197
(Increase) / Decrease in :	
Other assets	8,582
Increase / (Decrease) in:	
Accounts payable and accrued liabilities	10,114
Accrued liabilities	2,326
Net Cash Provided by / (Used For) Operating Activities	<u>(969)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for the purchase of property and equipment	(25,753)
Proceeds from the sale of investments	34,150
Payments for the purchase of investments	<u>(35,814)</u>
Net Cash Provided by / (Used For) Investing Activities	<u>(27,417)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Imputed Interest on Related Party Loan	(8,636)
Principal payments on debt	<u>(15,716)</u>
Net Cash Provided by / (Used For) Financing Activities	<u>(24,352)</u>

NET DECREASE IN CASH \$ (52,738)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR \$ 92,477

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 39,739

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash Paid for Interest	\$ 18,384
Cash Paid for Income Taxes	\$ -

See independent accountants' audit report and notes to the financial statements

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended May 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Saint Photios Orthodox Theological Seminary (the Seminary) is a California nonprofit religious corporation incorporated in August 2015. The mission of the Seminary is to serve the Church of the Genuine Orthodox Christians of Greece (GOC) 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 the future missions in North America. The Seminary is supported primarily by charitable donations, monastic community support, and tuition and fees from students. The Seminary has been accredited by the Association for Biblical Higher Education.

Standard of Accounting and Reporting

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. Revenues are recognized when earned and expenses are recognized when the obligation is incurred. The Seminary classifies revenues and contributions as well as expenses into two classes based upon the existence or absence of donor restrictions.

Net Assets - Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, and any limits resulting from contractual agreements with creditors and others that are entered into the course of operations.

Net Assets - With Donor Restrictions

Net assets with donor restrictions are resources restricted by the donors for use for a particular purpose. The restrictions expire when the resources are used in accordance with the donors' instructions. When a donor's restriction is satisfied, either by completion of the purpose or full use of the donated funds, the expiration of the restriction is reported on the financial statements by reclassifying the net assets from restricted to those unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and all higher liquid investments with maturities of three months or less at the time of purchase. The Seminary maintains its cash balances at financial institutions located in California State. Accounts at the institutions are insured by the FDIC up to \$250,000 and is subject to the corresponding credit risk when balances exceed the insured amount, which is mitigated by the high credit of those financial institutions.

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, 2024, 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.

See independent accountants' audit report

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended May 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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
Vehicles	10 Years

Income Taxes

The Seminary is recognized by the Internal Revenue Service as a Section 501(c)(3) non-profit organization and is therefore exempt from federal and state income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Seminary is classified by the Internal Revenue Service as other than a private foundation.

Use of Accounting Estimates

The preparation of the financial statements in conformity with US generally accepted accounting principles 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.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain significant expenses are allocated based on square footage, such as facilities or supplies.

Advertising Costs

The Seminary expenses advertising costs as they are incurred. Advertising costs totaled \$82,439 for the year ended May 31, 2024.

2. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 39,739
Investments	36,738
Other Assets	3,889
Less unavailable for general expenditures in one year due to:	
Amounts restricted by donor for purpose	284,338
Total	\$ (203,972)

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.

See independent accountants' audit report

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended May 31, 2024

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.

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 fiscal year ended May 31, 2024. Level 2 investment values are based on the Net Asset Value (NAV) per share as listed in the prospectus.

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 36,201			36,201
Real estate investment trust Security		\$ 537		537
TOTAL	\$ 36,201	\$ 537	\$ -	\$ 36,738
Investment Income / (Loss)				
Interest and Dividends	\$ 1,924			
Realized Gains / (Losses)	3,938			
Unrealized Gains / (Losses)	(5,136)			
NET INVESTMENT INCOME / (LOSS)	\$ 727			

See independent accountants' audit report

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended May 31, 2024

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Nondepreciable Assets

Land	\$	119,972	
Work in progress		574,792	
TOTAL NON-DEPRECIABLE ASSETS			\$ 694,764

Depreciable Assets

Buildings	\$	1,232,538	
Land improvements		137,558	
Leasehold improvements		35,826	
Furniture and equipment		175,497	
Library materials		323,107	
Vehicle		2,215	

Total Depreciable Assets 1,906,741

Less Accumulated depreciation 526,926

DEPRECIABLE ASSETS - NET 1,379,815

PROPERTY AND EQUIPMENT - NET \$ 2,074,579

Total depreciation expense for the fiscal year ended May 31, 2024 was \$89,567.

5. NOTES PAYABLE

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; it matures in January 2041 and is payable in 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 then U.S. Prime Rate plus 1%. The note is collateralized by real property and contains certain covenants with which the Seminary must comply. As of the date of these financials, the Seminary was not compliance with these loan covenants. The Seminary lost property insurance coverage due to insurance carrier withdrawing from the region. Once the Seminary discovered the default, they applied and received insurance coverage with a new carrier in order to comply with the covenants. As such, the note payable is kept as a long term liability.

The Seminary's principal payments for the next five years are as follows:

2025	\$	16,502
2026		17,261
2027		18,054
2028		18,883
2029		19,750
Thereafter		308,708
	\$	<u><u>399,158</u></u>

6. NET ASSETS

The Seminary's net assets as of May 31, 2024 are as follows:

NET ASSETS WITHOUT DONOR RESTRICTION

Undesignated	\$	1,336,675
Total Net Assets Without Donor Restriction	\$	<u><u>1,336,675</u></u>

See independent accountants' audit report

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended May 31, 2024

6. NET ASSETS, cont'd

NET ASSETS WITH DONOR RESTRICTION

Subject to Expenditures for Specified Purpose

Scholarship	\$	117,321
Mortgage		38,381
Construction, Phase 2		120,000
Related Party Imputed Interest		8,636
Total Net Assets With Donor Restrictions	\$	284,338

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:

Seminary services	\$	223,080
Other		16,680
TOTAL	\$	239,760

8. RELATED PARTY LOAN

On May 2, 2023, the Seminary borrowed from SGPM an amount of \$100,000. The note payable is a zero-interest loan, due in 3 years as a lump sum payment. As of May 31, 2024, there is a principle amount due of \$100,000.

Due to the zero interest loan, there was a implied discount on the loan of \$13,195 using an effective interest rate of 4.83%. This results in imputed interest being calculated throughout the term of the loan. The discount is recorded as a restricted donation that releases through imputed interest "paid" each year. At the end of the term of the loan, the final balance will be paid along with any remaining imputed interest being released to unrestricted net assets. As of May 31, 2024, there was imputed interest paid of \$4,559 with a remaining loan balance of \$91,364.

9. RELATED PARTY TRANSACTIONS

The Seminary has received services from the Saint Gregory Palamas Monastery (SGPM), with which it is affiliated through the GOC. SGPM provides donated services and goods to the Seminary to support the day to day operations of the Seminary. The Seminary received donated goods and services totaling \$190,080 from SGPM during the year. The Seminary rents housing facilities for students from SGPM. The Seminary paid rent of \$30,000.

The Seminary has received services from the Convent of Saint Elizabeth (CSE), with which it is affiliated through the GOC. CSE provides donated goods and services to the Seminary to support the day to day operations of the Seminary. The Seminary received donated goods and services totaling \$49,680 from CSE during the year.

The Seminary received contributions totaling \$11,925 from Board members of the Seminary or organizations related to Board members during the year. The Seminary received contributions totaling \$130,800 from both SGPM and CSE during the year.

See independent accountants' audit report

SAINT PHOTIOS ORTHODOX THEOLOGICAL SEMINARY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended May 31, 2024

10. SUBSEQUENT EVENTS

The Seminary has evaluated subsequent events through December 14, 2024, the date the financial statements were available for issuance.

On August 28, 2024, the Seminary received donation of \$100,000 as an unrestricted contribution.

On November 1, 2024, the Seminary began renting office space in a secondary location for administrative purposes. The additional space at the Seminary will be used for educational and/or housing needs.

On June 14, 2024, the Board of Directors met and adopted a proposed "scholarship" model that increases tuition fees to incoming students as well as increasing the scholarships offered to students. This proposed model will offer the Seminary the ability to access more restricted funds allocated to Scholarships.

See independent accountants' audit report