



**The Very Rev. Jason R. Grote, B.B.A, M.Div.**

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## OFFICIAL AUDITORS REPORT

February 28, 2011

The Board of Trustees & The Board of Directors  
The Theological Seminary of the Reformed Episcopal Church  
826 Second Ave.  
Blue Bell, PA 19422

Dear Sirs:

By appointment of the General Council of the Reformed Episcopal Church in accordance with the Constitution and Canons of the same, I have audited the accompanying statements of financial position of the Theological Seminary of the Reformed Episcopal Church for years ended December 31, 2008, 2009, 2010 and the related statements of the activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion based upon my audit.

I conducted my audit in accordance with the generally accepted audit standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Theological Seminary of the Reformed Episcopal Church as a December 31, 2008, 2009, 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The Very Rev. Jason R. Grote  
Official Auditor

The Theological Seminary of the  
Reformed Episcopal Church  
Statements of Financial Position  
For Years Ended 2008, 2009, 2010

<u>ASSETS</u>	2010	2009	2008
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$84,750.97	\$187,380.66	\$113,182.00
Marketable Securities	\$1,640,317.35	\$1,481,942.63	\$1,335,392.54
Accounts Receivable	\$19,439.45	\$7,686.69	\$3,140.47
Bequests Receivable	\$0.00	\$0.00	\$80,000.00
Mortgage Receivable	\$0.00	\$0.00	\$0.00
Prepaid expenses	\$0.00	\$0.00	\$0.00
TOTAL CURRENT ASSETS	<u>\$1,744,507.77</u>	<u>\$1,677,009.98</u>	<u>\$1,531,715.01</u>
Land, buildings and Equipment at cost	<u>\$1,324,067.95</u>	<u>\$1,288,182.26</u>	<u>\$1,288,182.26</u>
TOTAL ASSETS	<u><u>\$3,068,575.72</u></u>	<u><u>\$2,965,192.24</u></u>	<u><u>\$2,819,897.27</u></u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	-\$10.21	-\$29.99	-\$520.00
Accrued Expenses	\$0.00	\$0.00	\$0.00
Notes Payable	\$0.00	\$0.00	\$0.00
Long Term Debt / Mortgages	\$442,907.02	\$451,952.88	\$460,473.23
TOTAL LIABILITIES	<u>\$442,896.81</u>	<u>\$451,922.89</u>	<u>\$459,953.23</u>
<u>NET ASSETS</u>			
Unrestricted Net Assets	\$2,603,399.87	\$2,493,624.57	\$2,264,268.55
Temporarily Restricted Net Assets	<u>\$22,279.04</u>	<u>\$19,644.78</u>	<u>\$95,675.49</u>
TOTAL NET ASSETS	<u>\$2,625,678.91</u>	<u>\$2,513,269.35</u>	<u>\$2,359,944.04</u>
Total Liabilities and Net Assets	<u><u>\$3,068,575.72</u></u>	<u><u>\$2,965,192.24</u></u>	<u><u>\$2,819,897.27</u></u>

The Accompanying notes are an integral part of this statement

The Theological Seminary of the  
Reformed Episcopal Church  
Statements of Activities  
For Years ended 2008, 2009, 2010

UNRESTRICTED NET ASSETS	2010	2009	2008
Unrestricted Revenue and Gains			
Contributions	\$264,869.76	\$372,844.80	\$265,241.61
Investment Income	\$13,339.89	\$13,296.81	\$15,806.98
Net Realized and Unrealized Gains (Losses) on Investments	\$175,034.83	\$208,253.28	(\$409,475.02)
Rental Income	\$16,200.00	\$14,600.00	\$16,910.85
Tuition and Fees	\$20,589.00	\$19,272.82	\$18,292.05
Other Sources (includes reimbursements)	\$348,384.69	\$325,291.81	\$315,033.90
<b>TOTAL UNRESTRICTED REVENUES &amp; GAINS</b>	<b>\$838,418.17</b>	<b>\$953,559.52</b>	<b>\$221,810.37</b>
 Expenses:			
Program Services:			
Instructional	\$445,430.59	\$439,675.39	\$419,022.38
Support Services:			
Operation and Maintenance	\$80,418.90	\$79,374.16	\$97,391.56
Management and General	\$200,159.12	\$201,184.66	\$199,332.09
<b>TOTAL SUPPORT SERVICES</b>	<b>\$280,578.02</b>	<b>\$280,558.82</b>	<b>\$296,723.65</b>
 <b>TOTAL EXPENSES</b>	<b>\$726,008.61</b>	<b>\$720,234.21</b>	<b>\$715,746.03</b>
 <b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>\$112,409.56</b>	<b>\$233,325.31</b>	<b>(\$493,935.66)</b>
 TEMPORARILY RESTRICTED ASSETS			
Bequest / Contribution	\$0.00	\$0.00	\$80,000.00
 <b>INCREASE (DECREASE) IN TEMP. RESTRICTED NET ASSETS</b>	<b>\$0.00</b>	<b>(\$80,000.00)</b>	<b>(\$45,000.00)</b>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$112,409.56</b>	<b>\$153,325.31</b>	<b>(\$538,935.66)</b>
 <b>NET ASSETS - BEGINNING OF YEAR</b>	<b>2,513,269.35</b>	<b>2,359,944.04</b>	<b>2,898,879.70</b>
 <b>NET ASSETS - END OF YEAR</b>	<b>2,625,678.91</b>	<b>2,513,269.35</b>	<b>2,359,944.04</b>

The Accompanying notes are an integral part of this statement

The Theological Seminary of the  
Reformed Episcopal Church  
Statement of Cash Flow  
Years Ending 2008, 2009, 2010

CASH FLOW FROM OPERATING ACTIVITIES:	2010	2009	2008
Increase (Decrease) in Net Assets	\$112,409.56	\$153,325.31	(\$538,935.66)
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operating Activities			
Depreciation	\$0.00	\$0.00	\$0.00
Realized and Unrealized (Gains) Losses on Marketable Securities	(\$175,034.83)	(\$208,253.28)	\$409,475.02
(Increase) Decrease in Current Assets			
Accounts Receivable	(\$11,752.76)	(\$4,546.22)	\$709.53
Bequest Receivable	\$0.00	\$80,000.00	\$45,000.00
Prepaid Expenses	\$0.00	\$0.00	\$0.00
Increase (Decrease) in Current Liabilities			
Accounts Payable	\$19.78	\$490.01	(\$520.00)
Accrued Expenses	\$0.00	\$0.00	\$0.00
 NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	 (\$74,358.25)	 \$21,015.82	 (\$84,271.11)
 CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property & Equipment	(\$35,885.69)	\$0.00	(\$6,668.72)
Proceeds/Withdrawals from Marketable Securities	\$30,000.00	\$75,000.00	\$0.00
Purchases of Marketable Securities	(\$13,339.89)	(\$13,296.81)	(\$15,806.98)
NET CASH USED BY INVESTING ACTIVITIES	(\$19,225.58)	\$61,703.19	(\$22,475.70)
 CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Mortgage Receivable	\$0.00	\$0.00	\$0.00
Proceeds from Note Payable	\$0.00	\$0.00	\$0.00
Payments on Mortgage Payable	(\$9,045.86)	(\$8,520.35)	(\$8,025.37)
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 (\$9,045.86)	 (\$8,520.35)	 (\$8,025.37)
 NET INCREASE (DECREASE) IN CASH	 (\$102,629.69)	 \$74,198.66	 (\$114,772.18)
 CASH AT BEGINNING OF YEAR	 \$187,380.66	 \$113,182.00	 \$227,954.18
 CASH AT END OF YEAR	 \$84,750.97	 \$187,380.66	 \$113,182.00

The Accompanying notes are an integral part of this statement

**The Theological Seminary of the Reformed Episcopal Church**  
**Notes accompanying Financial Statements**  
**December 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

The Theological Seminary of the Reformed Episcopal Church (hereafter referred to as “the Seminary”) is a nonprofit organization whose focus is teaching the principles of the Reformed Episcopal Church.

With respect to this audit, the Seminary is subject to the Constitution and Canons of the Reformed Episcopal Church.

Method of Accounting

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

Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the use of management’s estimates. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Seminary adopted the Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not for Profit Organizations”. Under SFAS No. 117, the Seminary reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash and Equivalents

The Seminary considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for the purpose of the statement of cash flow excludes permanently restricted cash and cash equivalents.

Contributions

The Seminary elected to adopt SFAS No. 116, “Accounting for Contributions Received and Contributions made”. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

## **NOTE 1 (CON'T)**

### Marketable Securities

The Seminary elected to adopt SFAS No. 124, "Accounting for Certain Investments Held by Not for Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

### Building and Equipment

Building and equipment are carried at cost. Normal maintenance and repairs are charged to operations as incurred. Depreciation is not calculated. Significant improvements to building may be capitalized at cost.

### Income Taxes

The Seminary is exempt from income taxes under Section 501 C(3) of the Internal Revenue Code.

### Functional Allocation of Expenses

The cost of providing the various services have been summarized on a functional basis the statement of activities. Accordingly, certain costs have been allocated among the services benefited.

## **NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Seminary maintains a cash balance at a financial institution within Pennsylvania. This account is insured by the Federal Deposit Insurance Corporation up to \$250,000.

## **NOTE 3 – LONG TERM DEBT**

As of December 31, 2010 a mortgage, secured by real estate, in the amount of \$442,907.02 is held by the Trustees of the Looney Hoffman Fund.

## **NOTE 4 – EMPLOYEE BENEFIT PLAN**

The Seminary has a defined contribution plan covering substantially all employees. Under this plan the Seminary contributes an amount equal to 10% of each eligible employee's compensation.

## **NOTE 5 – RELATED PARTY DISCLOSURES**

The Seminary receives revenue for services provided by five of its employees to the Reformed Episcopal Church in various capacities.