Financial Statements of

ATLANTIC SCHOOL OF THEOLOGY

And Independent Auditors' Report thereon

Year ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the Atlantic School of Theology

Opinion

We have audited the financial statements of the Atlantic School of Theology (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023,
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for- profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards.

Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's ***report***. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends

to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  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.
- 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 the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropr20teness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern
  Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Halifax, Canada

June 20, 2023

ATLANTIC SCHOOL OF THEOLOGY

Statement of Financial Position

March 31, 2023, with comparative information for 2022

		2023		2022
Assets				
Current assets:				
Cash and cash equivalents	$	938,905	$	905,189
Accounts receivable		527,110		295,331
Prepaid expenses		38,344		24,154
		1,504,359		1,224,674
Investments		6,986,226		7,045,441
Restricted cash (note 2)		3,502,867		466,280
Capital assets (note 3)		6,636,637		6,913,628
	$	18,630,089	$	15,650,023
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	$	860,848	$	707,103
Deferred revenue		74,645		158,959
		935,493		866,062
Deferred capital contributions (note 5)		6,459,874		6,730,629
Net assets:				
Invested in capital assets (note 6)		176,762		182,999
Restricted for endowments		6,230,908		6,163,824
Restricted for facilities renewal		3,504,677		466,280
Internally restricted		1,732,544		1,751,965
Unrestricted		(409,869)		(511,736)
		11,235,022		8,053,332
Contingencies (note 8)				
	$	18,630,389	$	15,650,023

See accompanying notes to financial statements.

On behalf of the Board:

Governor

Governor

ATLANTIC SCHOOL OF THEOLOGY

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Assessment		
Pine Hill Divinity Hall	$ 399,160	$ 463,016
Anglican Diocese	117,912	150,600
Archdiocese of Halifax – Yarmouth	162,448	95,364
	679,520	708,980
Grants:		
Province of Nova Scotia	1,199,526	1,187,650
United Church of Canada:		
Education for Church Leadership	104,000	110,010
	1,303,526	1,297,660
Tuition	415,702	433,807
Residence rental	366,349	272,125
Rental income	165,305	150,560
Annual fund	105,872	155,142
Investment income (note 7)	227,021	283,812
Bequests and other contributions	25,286	8,821
Miscellaneous	31,552	51,391
	1,337,087	1,355,658
	3,320,133	3,362,298
Expenses:		
Academic program	1,407,908	1,360,103
Administration	506,329	580,940
Physical plant	412,909	369,449
Library	327,330	353,703
Advancement Office	271,257	312,266
Bursaries	167,041	228,695
Residence	39,934	26,869
Other buildings and grounds	107,139	74,564
	3,239,847	3,306,589
Excess of revenue over expenses before amortization	80,286	55,709
Amortization:		
Amortization of capital assets	(406,045)	(391,491)
Amortization of deferred capital contributions	390,336	376,620
	(15,709)	(14,871)
Excess of revenue over expenses	$ 64,577	$ 40,838

See accompanying notes to financial statements.

ATLANTIC SCHOOL OF THEOLOGY
Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Invested in capital assets	Restricted for endowments	Restricted for facilities renewal	Internally restricted	Unrestricted	2023 Total	2022 Total
Balance, beginning of year	$ 182,999	$ 6,163,824	$ 466,280	$ 1,751,965	$ (511,736)	$ 8,053,332	$ 8,068,993
Excess of revenue over expenses	–	52,008	(5,085)	(85,933)	103,587	64,577	40,838
Contributions received	–	104,234	3,162,392	80,096	–	3,346,722	153,565
Change in fair value	–	(89,158)	–	–	–	(89,158)	(116,031)
Bursaries	–	–	–	(13,584)	–	(13,584)	–
Net change in investment in capital assets (note 6)	(6,237)	–	(119,581)	–	(9,472)	(135,290)	(101,042)
Other	–	-	671	–	7,752	8,423	7,009
Balance, end of year	$ 176,762	$ 6,230,908	$ 3,504,677	$ 1,732,544	$ (409,869)	$ 11,235,022	$8,053,332

See accompanying notes to financial statements.

ATLANTIC SCHOOL OF THEOLOGY

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 64,577	$ 40,838
Items not involving cash:		
Amortization of deferred capital contributions	(390,336)	(376,620)
Amortization of capital assets	406,045	391,491
Change in fair value of investments	31,725	34,834
	47,434	90,543
Change in non-cash operating working capital:		
Decrease in accounts receivable	(231,779)	74,666
Decrease (increase) in prepaid expenses	(14,190)	854
Increase (decrease) in accounts payable and accrued liabilities	153,745	238,516
(Decrease) increase in deferred revenue	(84,314)	(13,334)
	(176,538)	391,245
Financing:		
Receipt of internally restricted net assets	80,096	9,941
Receipt of deferred capital contribution	--	73,773
Receipt of restricted for facilities renewal contributions	3,162,392	143,624
Net of receipts and spending from Internally restricted funds	(8,491)	-
Receipts of restricted endowments (Uninvested)	91,553	-
	3,325,550	227,338
Investing:		
Purchase of investments	(61,667)	(148,799)
(Increase) decrease in restricted cash	(3,036,587)	(30,121)
Additions to capital assets	(9,472)	(73,773)
Additions to capital assets from restricted for facilities renewal	(119,581)	(86,171)
	(3,227,307)	(338,864)
Increase in cash and cash equivalents	33,716	279,719
Cash and cash equivalents, beginning of year	905,189	625,470
Cash and cash equivalents, end of year	$ 938,905	$ 905,189

See accompanying notes to financial statements.

Authority and purpose:

Atlantic School of Theology ("the School"), founded in 1971 and incorporated on June 28, 1974, operates under the authority of the statutes of Nova Scotia.

On July 1, 2001 the School became affiliated with Saint Mary's University. This affiliation has enabled the two institutions to jointly establish and promote academic programs, to achieve operational efficiencies and to optimize usage of facilities to their mutual advantage.

The School's principal activities include the provision of post graduate courses in theology; courses of instruction for students for the ordained and lay ministries; continuing education; facilities for theological research, library facilities and administration of residence facilities.

The School is a registered charity and is therefore exempt from the payment of income tax under Section 149 of the Income Tax Act.

The School has been accredited by the Association of Theological Schools (in the USA and Canada) since 1988 and received a seven-year accreditation in 2020.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

(a) Revenue recognition:

The School follows the deferral method of accounting for contributions, which includes donations and government grants. The School receives grants and donations from a number of different sources to cover operating and capital expenditures. The operating portion of the grants are recorded as revenue in the period to which they relate. The capital portion of grants are recorded as deferred capital contributions and amortized into revenue at a rate corresponding with the amortization rate of the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized.

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Endowment contributions stipulating that the principal should be retained in perpetuity are recorded as a direct increase in endowment net assets.

Restricted investment income from endowment investments is recognized as earned and utilized when the related expense occurs. Unrestricted investment income is recognized as revenue when earned.

Revenue from tuition fees and rentals are recognized when the services are provided.

Certain leases provide for rent fluctuations during the term of the lease. Rental revenue from leases is recorded for the fixed term of each lease on a straight-line basis. The rent receivable is recorded as income annually with a corresponding receivable for the difference between actual rental income received and amounts owed as calculated on a straight-line basis.

(b) Contributed services:

A substantial number of volunteers contribute a significant amount of their time to the School each year. Because of the difficulty in determining the fair value, contributed services are not recognized in these financial statements.

(c) Cash and cash equivalents:

Cash and cash equivalents include petty cash, cash on deposit and deposits in money market instruments with maturities of less than three months.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The School has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the School determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the School expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the life of an asset are capitalized. When an asset no longer contributes to the School's ability to provide services, its carrying amount is written down to its residual value.

Amortization is recorded over the assets' estimated useful lives as follows:

Asset	Basis	Estimated useful life
Buildings	Straight-line	40 years
Furniture and equipment	Straight-line	5 - 20 years
Organ and piano	Straight-line	20 years
Building improvements	Straight-line	8 years
Parking lots	Straight-line	20 years
Computer hardware	Straight-line	3 years
Computer software	Straight-line	3 years
Library books	Straight-line	10 years
Leasehold improvements	Straight-line	20 years

(f) Use of estimates:

The preparation of financial statements 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 year. Actual results could differ from those estimates.

2. Restricted cash:

Restricted cash represents amounts received by the School from the Founding Parties less expenditures incurred. These funds are intended to maintain, adapt and renew facilities to meet the School's evolving circumstances. The School has received a grant of $3,000,000 from the Province of Nova Scotia during the year ended March 31, 2023. Further, in 2023, $119,581 (2022 - $86,171) was used towards computer hardware and building improvements (note 3) and $5,085 (2022 - $26,386) was used towards repairs and maintenance.

3. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 3,357,926	$ –	$ 3,357,926	$ 3,357,926
Buildings	6,356,277	3,966,104	2,390,173	2,548,771
Parking lots	80,000	20,000	60,000	64,000
Furniture and equipment	557,138	417,667	139,471	157,701
Organ and piano	191,745	180,270	11,475	13,769
Building improvements	2,444,323	1,879,081	565,242	611,814
Computer hardware	496,892	467,695	29,197	62,410
Computer software	25,976	25,976	–	–
Library books	1,037,935	985,533	52,402	67,094
Leasehold improvements	884,238	853,487	30,751	30,143
	$ 15,432,450	$ 8,795,813	$ 6,636,637	$ 6,913,628

Computer hardware and building improvements of $119,581 (2022 - $86,171) were made using funds restricted for facilities renewal.

The agreement of 2001 provides that, should the School at any time wish to dispose of any or all of the assets formerly owned by Pine Hill, Pine Hill in the first place, followed by the other Founding Parties and Saint Mary's University, shall have the right to re-acquire the assets at the then fair value less the fair value at the time the donation was made. If Pine Hill does not exercise this right and the property is sold, then Pine Hill is entitled to the lesser of the value at the time the assets were donated or the selling price. Should the School cease operations, Pine Hill has a similar right of purchase.

4. Accounts payable and accrued liabilities:

There are no government remittances payable included in accounts payable and accrued liabilities at March 31, 2023 and March 31, 2022.

5. Deferred capital contributions:

Deferred capital contributions represent unamortized amounts received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at the same rate of amortization of the corresponding capital asset.

	2023	2022
Balance, beginning of year	$ 6,730,629	$ 6,947,305
Funded through the Facilities Renewal Fund	119,581	86,171
Contributions received	-	73,773
Amortization	(390,336)	(376,620)
	$ 6,459,874	$ 6,730,629

6. Net assets invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2023	2022
Capital assets	$ 6,636,637	$ 6,913,628
Amounts financed by deferred contributions	(6,459,874)	(6,730,629)
	$ 176,763	$ 182,999

(b) Change in net assets invested in capital assets is calculated as follows:

	2023	2022
Excess of expenses over revenues:		
Amortization of deferred capital contributions	$ 390,336	$ 376,620
Amortization of capital assets	(406,045)	(391,491)
	$ (15,709)	$ (14,871)
Net change in investment in capital assets:		
Capital assets acquired	$ 129,053	$ 159,944
Funded by restricted for facilities renewal	(119,581)	(86,171)
Funded by other grants	--	(73,773)
Funded by the School	(9,472)	--
	$ –	$ –

7. Investment income:

Investment income earned, recorded in the statement of operations, is comprised as follows:

	2023	2022
Income on unrestricted resources	$ 91,705	$ 89,841
Income on resources held for endowments	167,041	228,795
Change in fair value of investments	(120,883)	(150,855)
	137,863	167,781
Change in fair value of endowment fund investments	89,158	116,031
	$ 227,021	$ 283,812

The fair value change on investments that are restricted for endowments has been transferred to net assets restricted for endowments on the statement of changes in net assets.

8. Contingencies:

The School participates in a reciprocal exchange of insurance risks in association with fifty-six Canadian universities through the Canadian Universities Reciprocal Insurance Exchange (CURIE). This self-insurance co-operative involves a contractual agreement to share the insurance property and liability risks of member institutions for a term of not less than five years.

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2022, CURIE had a loss of $3.6 Million, of which the School's pro rata share is approximately 0.08% (2003-2007 and 0.04% (2008-2012) on an ongoing basis. In addition, CURIE has obtained $1.14 billion of re-insurance with commercial insurers to cover major property claims in excess of $5 million per occurrence. In respect of general liability, the limit is $5 million per occurrence. Re-insurance for general liability coverage in the amount of $45 million in excess of $5 million per occurrence is in place. In respect of cyber insurance coverage, the aggregate liability coverage is $1 million.

In the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

9. Financial instruments and concentration of credit risk:

Liquidity risk:

Liquidity risk is the risk that the School will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The School manages its liquidity risk by monitoring its operating requirements. The School prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2022.

Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The School is exposed to credit risk with respect to its accounts receivable, investments and cash. The School assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. Cash and investment credit risk is minimized by dealing with credit worthy counterparties such as highly rated financial institutions.

Interest rate risk:

The School is exposed to interest rate risk on its fixed interest rate financial instruments.

10. Employee future benefits:

The School has a defined contribution pension plan for faculty and staff. The School contributes 7.2% of salary, while faculty contribute 6% and staff contribute between 3% and 6% of salary. Total employer contributions in the year amounted to $130,305 (2022 - $131,944).