

Financial Statements of

**ATLANTIC SCHOOL OF THEOLOGY**

And Independent Auditors' Report thereon

Year ended March 31, 2022

## INDEPENDENT AUDITORS' 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, 2022,
- 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, 2022, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

### ***Auditors' 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 auditors' 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 appropriateness 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 auditors' 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 auditors' 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.

Chartered Professional Accountants

Halifax, Canada

June •, 2022

# ATLANTIC SCHOOL OF THEOLOGY

## Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 905,189	\$ 625,470
Accounts receivable	295,331	369,997
Prepaid expenses	24,154	25,008
	<u>1,224,674</u>	<u>1,020,475</u>
Investments	7,045,441	7,055,369
Restricted cash (note 2)	466,280	436,159
Capital assets (note 3)	6,913,628	7,145,175
	<u>\$ 15,650,023</u>	<u>\$ 15,657,178</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 707,103	\$ 468,587
Deferred revenue	158,959	172,293
	<u>866,062</u>	<u>640,880</u>
Deferred capital contributions (note 5)	6,730,629	6,947,305
Net assets:		
Invested in capital assets (note 6)	182,999	197,870
Restricted for endowments	6,163,824	6,199,277
Restricted for facilities renewal	466,280	436,159
Internally restricted	1,751,965	1,803,048
Unrestricted	(511,736)	(567,361)
	<u>8,053,332</u>	<u>8,068,993</u>
Contingencies (note 8)		
	<u>\$15,650,023</u>	<u>\$ 15,657,178</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

# ATLANTIC SCHOOL OF THEOLOGY

## Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Assessment		
Pine Hill Divinity Hall	\$ 463,016	\$ 511,574
Anglican Diocese	150,600	144,692
Archdiocese of Halifax – Yarmouth	95,364	71,308
	<u>708,980</u>	<u>727,574</u>
Grants:		
Province of Nova Scotia	1,187,650	1,393,910
United Church of Canada: Education for Church Leadership	110,010	150,000
	<u>1,297,660</u>	<u>1,543,910</u>
Tuition	433,807	445,355
Residence rental	272,125	66,573
Rental income	150,560	123,870
Annual fund	155,142	62,519
Investment income (note 7)	283,812	401,997
Bequests and other contributions	8,821	42,574
Miscellaneous	51,391	24,527
	<u>1,355,658</u>	<u>1,167,415</u>
	<u>3,362,298</u>	<u>3,438,899</u>
Expenses:		
Academic program	1,360,103	1,260,233
Administration	580,940	555,180
Physical plant	369,449	299,144
Library	353,703	365,782
Advancement Office	312,266	279,510
Bursaries	228,695	75,679
Residence	26,869	21,361
Other buildings and grounds	74,564	50,059
	<u>3,306,589</u>	<u>2,906,948</u>
Excess of revenue over expenses before amortization	<u>55,709</u>	<u>531,951</u>
Amortization:		
Amortization of capital assets	(391,491)	(364,611)
Amortization of deferred capital contributions	376,620	358,374
	<u>(14,871)</u>	<u>(6,237)</u>
Excess of revenue over expenses	<u>\$ 40,838</u>	<u>\$ 525,714</u>

See accompanying notes to financial statements.

# ATLANTIC SCHOOL OF THEOLOGY

## Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Invested in capital assets	Restricted for endowments	Restricted for facilities renewal	Internally restricted	Unrestricted	2022 Total	2021 Total
Balance, beginning of year	\$ 197,870	\$ 6,199,277	\$ 436,159	\$ 1,803,048	\$ (567,361)	\$ 8,068,993	\$ 6,711,977
Excess of revenue over expenses	-	80,578	(26,386)	(44,144)	30,790	40,838	525,714
Contributions received	-	-	143,624	9,941	-	153,565	124,183
Change in fair value	-	(116,031)	-	-	-	(116,031)	791,025
Transfer to internally restricted	-	-	-	(16,880)	16,880	-	-
Net change in investment in capital assets (note 6)	(14,871)	-	(86,171)	-	-	(101,042)	(130,774)
Bursary funds unexpended	-	-	-	-	-	-	46,868
Other	-	-	(946)	-	7,955	7,009	-
<b>Balance, end of year</b>	<b>\$ 182,999</b>	<b>\$ 6,163,824</b>	<b>\$ 466,280</b>	<b>\$ 1,751,965</b>	<b>\$ (511,736)</b>	<b>\$ 8,053,332</b>	<b>\$ 8,068,993</b>

See accompanying notes to financial statements.

# ATLANTIC SCHOOL OF THEOLOGY

## Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 40,838	\$ 525,714
Items not involving cash:		
Amortization of deferred capital contributions	(376,620)	(358,374)
Amortization of capital assets	391,491	364,611
Change in fair value of investments	34,834	(232,214)
	<u>90,543</u>	<u>299,737</u>
Change in non-cash operating working capital:		
Decrease in accounts receivable	74,666	8,638
Decrease (increase) in prepaid expenses	854	(2,550)
Increase (decrease) in accounts payable and accrued liabilities	238,516	(232,516)
(Decrease) increase in deferred revenue	(13,334)	45,103
	<u>391,245</u>	<u>118,412</u>
Financing:		
Receipt of internally restricted net assets	9,941	3,891
Receipt of deferred capital contribution	73,773	125,668
Receipt of restricted for facilities renewal contributions	143,624	120,292
Bursary funds unexpended	–	46,868
	<u>227,338</u>	<u>296,719</u>
Investing:		
Purchase of investments	(148,799)	–
(Increase) decrease in restricted cash	(30,121)	32,944
Additions to capital assets	(73,773)	(139,033)
Additions to capital assets from restricted for facilities renewal	(86,171)	(144,139)
	<u>(338,864)</u>	<u>(250,228)</u>
Increase in cash and cash equivalents	279,719	164,903
Cash and cash equivalents, beginning of year	625,470	460,567
Cash and cash equivalents, end of year	<u>\$ 905,189</u>	<u>\$ 625,470</u>

See accompanying notes to financial statements.



# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements

Year ended March 31, 2022

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## **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.

# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 1. Significant accounting policies (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.

Revenue from the Canadian Center for Ethics in Public Affairs (CCEPA) represents funds and contributions related to CCEPA. The revenue, net of expenses, is restricted to CCEPA and has been allocated to net assets restricted for CCEPA on the statement of changes in net assets.

### (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.

# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 1. Significant accounting policies (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.

# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 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. In 2022, \$86,171 (2021 - \$144,139) was used towards computer hardware and building improvements (note 3) and \$26,386 (2021 - \$9,097) was used towards repairs and maintenance.

## 3. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 3,357,926	\$ -	\$ 3,357,926	\$ 3,357,926
Buildings	6,355,964	3,807,193	2,548,771	2,707,995
Parking lots	80,000	16,000	64,000	68,000
Furniture and equipment	555,060	397,359	157,701	164,685
Organ and piano	191,745	177,976	13,769	16,064
Building improvements	2,343,449	1,731,635	611,814	676,664
Computer hardware	496,928	434,518	62,410	46,644
Computer software	25,976	25,976	-	-
Library books	1,028,464	961,370	67,094	64,328
Leasehold improvements	868,354	838,211	30,143	42,869
	<u>\$ 15,303,866</u>	<u>\$ 8,390,238</u>	<u>\$ 6,913,628</u>	<u>\$ 7,145,175</u>

Computer hardware and building improvements of \$86,171 (2021 - \$144,139) 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, 2022 and March 31, 2021.

# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements (continued)

Year ended 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.

	2022	2021
Balance, beginning of year	\$ 6,947,305	\$ 7,035,872
Funded through the Facilities Renewal Fund	86,171	144,139
Contributions received	73,773	125,668
Amortization	(376,620)	(358,374)
	\$ 6,730,629	\$ 6,947,305

## 6. Net assets invested in capital assets:

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

	2022	2021
Capital assets	\$ 6,913,628	\$ 7,145,175
Amounts financed by deferred contributions	(6,730,629)	(6,947,305)
	\$ 182,999	\$ 197,870

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

	2022	2021
Excess of expenses over revenues:		
Amortization of deferred capital contributions	\$ 376,620	\$ 358,374
Amortization of capital assets	(391,491)	(364,611)
	\$ (14,871)	\$ (6,237)
Net change in investment in capital assets:		
Capital assets acquired	\$ 159,944	\$ 283,172
Funded by restricted for facilities renewal	(86,171)	(144,139)
Funded by other grants	(73,773)	(125,668)
Funded by the School	-	(13,365)
	\$ -	\$ -

# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 7. Investment income:

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

	2022	2021
Income on unrestricted resources	\$ 89,841	\$ 80,739
Income on resources held for endowments	228,795	75,679
Change in fair value of investments	(150,855)	1,036,604
	167,781	1,193,022
Change in fair value of endowment fund investments	116,031	(791,025)
	\$ 283,812	\$ 401,997

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, 2021, CURIE had an accumulated excess of income over expenses of \$105.8 million, of which the School's pro rata share is approximately 0.08% 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 the event premiums are not sufficient to cover claim settlements, the member universities would be subject to an assessment in proportion to their participation.

# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 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 2021.

### 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.

# ATLANTIC SCHOOL OF THEOLOGY

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## **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 \$131,944 (2021 - \$129,450).