

Financial Statements of

**ACADIA DIVINITY COLLEGE**

Year ended March 31, 2015



**KPMG LLP**  
**Chartered Accountants**  
Suite 1500 Purdy's Wharf Tower 1  
1959 Upper Water Street  
Halifax, NS B3J 3N2  
Canada

Telephone (902) 492-6000  
Fax (902) 492-1307  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of Acadia Divinity College

We have audited the accompanying financial statements of Acadia Divinity College, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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, we consider 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Acadia Divinity College as at March 31, 2015, 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.



*Other matters*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedule of operations by fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*KPMG LLP*

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Chartered Accountants

September 21, 2015

Halifax, Canada

# **ACADIA DIVINITY COLLEGE**

## **Financial Statements**

Year ended March 31, 2015

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# ACADIA DIVINITY COLLEGE

## Statement of Financial Position

March 31, 2015, with comparative information for 2014

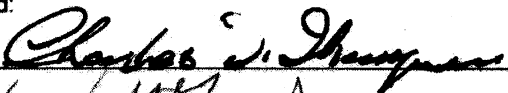
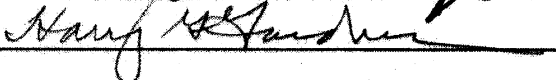
	2015	2014
<b>Assets</b>		
Current:		
Cash	\$ 148,990	\$ 76,927
Accounts receivable (note 2)	330,897	308,958
Prepaid expenses	19,270	22,068
	<u>499,157</u>	<u>407,953</u>
Investments (note 3)	14,906,146	12,642,960
Bonds, Baptist Foundation	52,298	52,231
Cash surrender value of life insurance policies	162,952	219,939
	<u>15,121,396</u>	<u>12,915,130</u>
Capital assets (note 4)	296,491	301,456
	<u>\$15,917,044</u>	<u>\$13,624,539</u>

## Liabilities, Deferred Contributions and Net Assets

Current:		
Accounts payable and accrued liabilities	\$ 283,178	\$ 276,046
Deferred contributions:		
Expenses of future periods (note 5)	574,703	158,284
Capital assets (note 6)	50,931	55,692
	<u>625,634</u>	<u>213,976</u>
Net assets (note 7):		
Invested in capital assets	245,560	245,764
Restricted for endowments	14,319,046	12,406,741
Internally restricted	162,952	219,939
Unrestricted	280,674	262,073
	<u>15,008,232</u>	<u>13,134,517</u>
Contingent liability (note 10)		
	<u>\$ 15,917,044</u>	<u>\$13,624,539</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

	Chair
	President

# ACADIA DIVINITY COLLEGE

## Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Acadia University grant (note 8)	\$ 663,084	\$ 657,296
Donations:		
Annual fund	319,312	370,956
Student aid	10,170	13,070
Other	241,377	45,207
Annuities	300	300
Investment income (note 9)	496,304	525,760
Student academic fees	749,957	728,062
Convention of Atlantic Baptist Churches	59,986	68,302
Miscellaneous income	5,707	6,232
Increase in cash surrender value of life insurance	43,854	15,641
Other non-government grants	85,760	69,108
	<u>2,675,811</u>	<u>2,499,934</u>
Expenditures:		
Academic	995,158	997,491
Administration	1,180,097	1,087,501
Scholarships, bursaries and prizes	155,049	152,646
Library	57,727	68,059
Plant services	84,914	92,531
Student aid awards	71,044	81,046
Student services	26,596	27,368
Amortization of capital assets, net of deferred capital contributions (note 7)	42,674	37,358
Annuities	300	300
	<u>2,613,559</u>	<u>2,544,300</u>
Excess of revenue over expenditures (expenditures over revenue)	\$ 62,252	\$ (44,366)

See accompanying notes to financial statements.

# ACADIA DIVINITY COLLEGE

## Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted	2015	2014
Balance, beginning of year	\$245,764	\$12,406,741	\$219,939	\$262,073	\$13,134,517	\$12,094,186
Excess (deficiency) of revenue over expenditures	(42,674)	—	43,855	61,071	62,252	(44,366)
Endowment contributions	—	882,297	—	—	882,297	334,035
Investment income, including change in market value of investments	—	1,414,166	—	—	1,414,166	1,275,662
Internal transfer to endowments from internally restricted	—	100,842	(100,842)	—	—	—
Amount recognized in income	—	(485,000)	—	—	(485,000)	(525,000)
Investment in capital assets (note 7)	42,470	—	—	(42,470)	—	—
Balance, end of year	\$245,560	\$14,319,046	\$162,952	\$280,674	\$15,008,232	\$13,134,517

See accompanying notes to financial statements.

# ACADIA DIVINITY COLLEGE

## Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	\$ 62,252	\$ (44,366)
Items not involving cash:		
Amortization of capital assets	47,435	44,667
Amortization of deferred contributions for capital assets	(4,761)	(7,309)
Change in cash surrender value of life insurance	56,987	(15,641)
Change in non-cash working capital balances	(12,009)	15,306
	<u>149,904</u>	<u>(7,343)</u>
Financing and investing activities:		
Endowment gifts	882,297	334,035
Increase in fair value of investments	1,414,166	1,275,662
Investment income recognized in income	(485,000)	(525,000)
Increase in deferred contributions, expenses of future periods	416,419	20,742
Purchase of capital assets	(42,470)	(53,735)
Increase in investments	(2,263,253)	(1,064,756)
	<u>(77,841)</u>	<u>(13,052)</u>
Increase (decrease) in cash position	72,063	(20,395)
Cash beginning of year	76,927	97,322
Cash end of year	<u>\$ 148,990</u>	<u>\$ 76,927</u>

See accompanying notes to financial statements.



# ACADIA DIVINITY COLLEGE

## Notes to Financial Statements

Year ended March 31, 2015

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Acadia Divinity College (the "College") is a graduate-level school of theology. The purpose of the College shall be to train ministers, missionaries and other religious leaders of the Christian faith, particularly of the Baptist denomination. The College is a not-for-profit entity governed by a Board of Trustees (the "Board"), the majority of whom are appointed by the Convention of Atlantic Baptist Churches. The College is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from paying income taxes, provided certain requirements of the Income Tax Act are met.

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount 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.

Endowment contributions are recognized as direct increases in endowment net assets.

Revenue from tuition fees, contracts and sales are recognized when the services are provided or the goods are sold.

#### (b) Contributed services:

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

#### (c) Cash

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

# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

### (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 College 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.

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 College 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 College 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. Donated capital assets, other than works of art, are recorded at fair value at the date of acquisition. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the College's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized using the following methods and annual rates:

Asset	Basis	Rate
Building	Straight line	50 years
Building additions	Straight line	25 years
Furniture	Straight line	8 years
Equipment	Straight line	5 years
Computer hardware and software	Straight line	3 years
Paving	Declining balance	8%

# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 1. Significant accounting policies (continued):

(f) Library:

The library facilities are administered and maintained by Acadia University. All purchases for library books and periodicals are charged to operating expenditures.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

## 2. Accounts receivable:

	2015	2014
Acadia University	\$ 129,576	\$ 277,650
Other	209,321	37,988
	338,897	315,638
Allowance for doubtful accounts	8,000	6,680
	\$ 330,897	\$ 308,958

## 3. Investments:

The investment portfolio is structured to operate as a balanced fund and at year-end the composition of underlying assets was as follows: equities 59.52% (2014 – 53.61%), bonds 35.82% (2014 – 42.82%), and cash 4.67% (2014 – 3.57%). The fund manager operates within an asset mix guideline developed and monitored by the Investment Committee of the Board.

# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 4. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Building and additions	\$ 755,874	\$ 532,901	\$ 222,973	\$ 242,395
Furniture	148,072	126,672	21,400	22,463
Equipment	357,898	347,927	9,971	15,664
Computer hardware	188,721	155,643	33,078	12,410
Computer software	43,285	38,250	5,035	4,139
Paving	7,967	3,933	4,034	4,385
	\$ 1,501,817	\$ 1,205,326	\$ 296,491	\$ 310,456

## 5. Deferred contributions - expenses of future periods:

	Student and other aid	Annuities	Operating grants	2015 Total	2014 Total
Balance, beginning of year	\$ 51,184	\$ 2,405	\$ 104,694	\$ 158,283	\$ 137,542
Add: amounts received during the year	435,310	-	138,583	573,893	174,624
Less: amounts recognized as revenue during the year	(10,170)	(300)	(147,003)	(157,473)	(141,882)
Less: amounts transferred to deferred capital grant	-	-	-	-	(12,000)
	\$ 476,324	\$ 2,105	\$ 96,274	\$ 574,703	\$ 158,284

Deferred contributions related to expenses of future periods represent unspent restricted grants, donations and investment income for student aid, scholarships, bursaries, prizes, and specific operating expenses.

Annuities represent funds provided to the College for which in return the College will pay an annuitant an agreed amount per year until the date of their or their beneficiary's death, at which time any unspent principal and income will become the property of the College. The College no longer enters into annuity agreements. The average age of the existing annuitants is 91 and the sum of the annual payments to the annuitants is approximately \$300.

# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

## 6. Deferred contributions - capital assets:

Deferred capital contributions related to capital assets represent the unamortized balance of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2015	2014
Balance, beginning of year	\$ 55,692	\$ 51,001
Add: amounts transferred from operating grants	-	12,000
Less: amounts amortized to revenue	4,761	7,309
<b>Balance, end of year</b>	<b>\$ 50,931</b>	<b>\$ 55,692</b>

## 7. Net assets:

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

	2015	2014
Capital assets	\$ 296,491	\$ 301,456
Less: amounts financed by deferred contributions	(50,931)	(55,692)
	<b>\$ 245,560</b>	<b>\$ 245,764</b>

Change in net assets invested in capital assets is calculated as follows:

	2015	2014
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 4,761	\$ 7,309
Amortization of capital assets	(47,435)	(44,667)
	<b>\$ (42,674)</b>	<b>\$ (37,358)</b>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 42,470	\$ 53,735

# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 7. Net assets (continued):

### (b) Restricted for endowments:

Endowment principal consists of restricted donations to the College, the original investment of which is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donor. Donors as well as the College policy stipulate that, over time, the economic value must be protected by limiting the amount of income that may be expended.

During the year the income from endowments totaled \$1,414,166 (2014 - \$1,275,662), of which \$485,000 was recognized as income in the Statement of Operations (2014 - \$525,000). In any particular year, investment income may be insufficient to fund the amount made available for spending. In this circumstance, current spending is funded by income accumulated from prior years where earnings exceeded the amount required for spending in those years.

### (c) Internally restricted:

Internally restricted funds represent the investment in the cash surrender value of life insurance policies. Upon settlement of these policies the College will make a decision on the utilization of these funds.

## 8. Acadia University grant:

The College, through an understanding with Acadia University, receives a portion of the University's annual grant from the Province of Nova Scotia.

## 9. Investment income:

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

	2015	2014
Income on unrestricted resources	\$ 11,304	\$ 760
Amount recognized in income from endowments	485,000	525,000
<b>Investment income</b>	<b>\$ 496,304</b>	<b>\$ 525,760</b>

# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 10. Contingent liability:

The College participates in a reciprocal exchange of insurance risks in association with other Canadian universities and colleges 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, 2014, CURIE had a surplus of \$74 million of which the College's pro-rata share is approximately 0.05% on an ongoing basis. In addition, the reciprocal has obtained \$995 million 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 \$25 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.

## 11. Financial instruments:

### (a) Fair values:

The fair value of investments is as described in note 1(c). The values of the other financial assets and liabilities, being cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

### (b) Credit risk:

The College is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing mostly with credit worthy counterparties such as highly rated financial institutions. To reduce credit risk with student accounts, the College places restrictions on the issuance of certain college privileges and the issuance of grades and degrees until payment on account is made, but does not generally require collateral.

# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 12. Employee pension plan:

Eligible employees of the College are either members of the Acadia University or the Canadian Baptist Pension plan (collectively the "Plans"). The Acadia University plan is a defined benefit pension plan, which provides pension benefits based on length of service and earnings. The Canadian Baptist Pension Plan is a defined contribution plan.

Contributions to the Plans are required by both the employees and the employer. The College's contributions range from 6% to 13.3% (2014 – 6% to 8.64%) of an employee's salary. Total employer contributions for 2015 were \$130,335 (2014 - \$74,834) and are recognized in salaries and benefits expense in the financial statements.

The College is not responsible for any under-funded liability, nor does the College have access to any surplus that may arise in these Plans.

## 13. Related party transactions:

Acadia University, a related party, provides services to the College with regards to administration, student registration, library and payroll. The charge for these services during the current year amounted to \$10,190 per month (2014 - \$10,190 per month). Related party balances as at March 31, 2015 included in the financial statements are as follows:

- (i) accounts receivable of \$129,576 (2014 - \$277,650) from Acadia University related to student tuition, unspent library funds and special grants; and
- (ii) accounts payable and accrued liabilities of \$146,300 (2014 - \$165,462) for payroll and shared services amounts paid by Acadia University on behalf of the College.

The College pays the Convention of Atlantic Baptist Churches for employees contracted to fulfill certain part time positions at the College. During the fiscal year ending March 31, 2015, total payments made to the Convention relating to these contracts was equal to \$5,734 (2014-\$31,394). As of March 31, 2015, there was one Convention employee under contract by the College (2014 – no employees).

The College received \$59,986 (2014 - \$68,301) from the Convention of Atlantic Baptist Churches. Other expenses paid to the Convention of Atlantic Baptist Churches total \$5,318 (2014 – \$8,042).

The College also leases the land at 38 Highland Avenue from Acadia University for a nominal charge per year under the terms of a lease agreement that expires in 2067.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.



# ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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**14. Comparative figures:**

Certain 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

**15. Subsequent event:**

Effective July 1, 2015 the Acadia University Pension Plan has transferred to the Public Service Superannuation Plan.

# ACADIA DIVINITY COLLEGE

Schedule of Operations by Fund

Year ended March 31, 2015, with comparative information for 2014

	Invested in in capital assets	Restricted for endowment	Internally restricted	Unrestricted	2015 Total	2014 Total
<b>Revenue:</b>						
Provincial grant	\$ -	\$ -	\$ -	\$ 663,084	\$ 663,084	\$ 657,296
<b>Donations:</b>						
Annual fund	-	-	-	319,312	319,312	370,956
Student aid	-	-	-	10,170	10,170	13,070
Other	-	-	-	241,377	241,377	45,207
Annuities	-	-	-	300	300	300
Investment income	-	485,000	-	11,304	496,304	525,760
Student academic fees	-	-	-	749,957	749,957	728,062
Convention of Atlantic Baptist Churches	-	-	-	59,986	59,986	68,302
Miscellaneous income	-	-	-	5,707	5,707	6,232
Increase in cash surrender value of life insurance	-	-	43,854	-	43,854	15,641
Other non-government grants	-	-	-	85,760	85,760	69,108
	-	485,000	43,854	2,146,957	2,675,811	2,499,934
<b>Expenses:</b>						
Academic	-	-	-	995,158	995,158	1,020,250
Administration	-	329,951	-	850,146	1,180,097	1,064,742
Scholarships, bursaries and prizes	-	155,049	-	-	155,049	152,646
Library	-	-	-	57,727	57,727	68,059
Plant services	-	-	-	84,914	84,914	92,531
Student aid awards	-	-	-	71,044	71,044	81,046
Student services	-	-	-	26,596	26,596	27,368
Amortization of capital assets (net)	42,674	-	-	-	42,674	37,358
Annuities	-	-	-	300	300	300
	42,674	485,000	-	2,085,885	2,613,559	2,544,300
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (42,674)</b>	<b>\$ -</b>	<b>\$ 43,854</b>	<b>\$ 61,072</b>	<b>\$ 62,252</b>	<b>\$ (44,366)</b>