

Financial Statements of

ACADIA DIVINITY COLLEGE

Year ended March 31, 2014



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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, 2014, 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, 2014, 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

Chartered Accountants

September 25, 2014

Halifax, Canada

ACADIA DIVINITY COLLEGE

Financial Statements

Year ended March 31, 2014

Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule of Operations by Fund	13

ACADIA DIVINITY COLLEGE

Statement of Financial Position

March 31, 2014, with comparative information for 2013

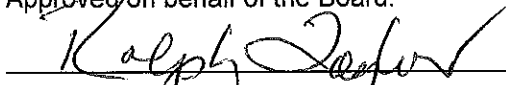
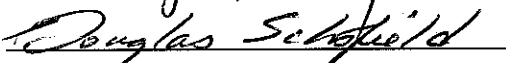
	2014	2013
Assets		
Current:		
Cash	\$ 76,927	\$ 97,322
Accounts receivable (note 2)	308,958	250,999
Prepaid expenses	22,068	25,429
	<u>407,953</u>	<u>373,750</u>
Investments (note 3)	12,642,960	11,578,268
Bonds, Baptist Foundation	52,231	52,165
Cash surrender value of life insurance policies	219,939	204,298
	<u>12,915,130</u>	<u>11,834,731</u>
Capital assets (note 4)	301,456	280,388
	<u>\$13,624,539</u>	<u>\$12,488,869</u>

Liabilities, Deferred Contributions and Net Assets

Current:		
Accounts payable and accrued liabilities	\$ 276,046	\$ 206,141
Deferred contributions:		
Expenses of future periods (note 5)	158,284	137,541
Capital assets (note 6)	55,692	51,001
	<u>213,976</u>	<u>188,542</u>
Net assets (note 7):		
Invested in capital assets	245,764	229,387
Restricted for endowments	12,406,741	11,322,044
Internally restricted	219,939	204,298
Unrestricted	262,073	338,457
	<u>13,134,517</u>	<u>12,094,186</u>
Contingent liability (note 10)		
	<u>\$ 13,624,539</u>	<u>\$12,488,869</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Trustee

Trustee

ACADIA DIVINITY COLLEGE

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Acadia University grant (note 8)	\$ 657,296	\$ 647,369
Donations:		
Annual fund	370,956	343,365
Student aid	13,070	18,973
Other	45,207	350,572
Annuities	300	300
Investment income (note 9)	525,760	498,292
Student academic fees	728,062	787,118
Convention of Atlantic Baptist Churches	68,302	65,784
Miscellaneous income	6,232	7,622
Increase in cash surrender value of life insurance	15,641	5,366
Other non-government grants	69,108	45,617
	<u>2,499,934</u>	<u>2,770,378</u>
Expenditures:		
Academic	1,020,250	947,692
Administration	1,064,742	1,154,789
Scholarships, bursaries and prizes	152,646	185,767
Library	68,059	66,200
Plant services	92,531	70,582
Student aid awards	81,046	90,059
Student services	27,368	28,231
Amortization of capital assets, net of deferred capital contributions (note 7)	37,358	41,805
Annuities	300	300
	<u>2,544,300</u>	<u>2,585,425</u>
Excess of (expenditures over revenue) revenue over expenditures	\$ (44,366)	\$ 184,953

See accompanying notes to financial statements.

ACADIA DIVINITY COLLEGE

Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

	Invested in capital assets	Restricted for endowments	Internally restricted	Unrestricted	2014	2013
Balance, beginning of year	\$229,387	\$11,322,044	\$204,298	\$338,457	\$12,094,186	\$11,376,671
Excess (deficiency) of revenue over expenditures	(37,358)	—	15,641	(22,649)	(44,366)	184,953
Endowment contributions	—	334,035	—	—	334,035	207,954
Investment income, including change in market value of investments	—	1,275,662	—	—	1,275,662	819,608
Amount recognized in income	—	(525,000)	—	—	(525,000)	(495,000)
Investment in capital assets (note 7)	53,735	—	—	(53,735)	—	—
Balance, end of year	\$245,764	\$12,406,741	\$219,939	\$262,073	\$13,134,517	\$12,094,186

See accompanying notes to financial statements.

ACADIA DIVINITY COLLEGE

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used for):		
Operating activities:		
Excess of (expenditures over revenue) revenue over expenditures	\$ (44,366)	\$ 184,953
Items not involving cash:		
Amortization of capital assets	44,667	48,364
Amortization of deferred contributions for capital assets	(7,309)	(6,559)
Change in cash surrender value	(15,641)	(5,366)
Change in non-cash working capital balances	15,306	(130,901)
	(7,343)	90,491
Financing and investing activities:		
Endowment contributions	334,035	207,954
Increase in fair value of investments	1,275,662	819,608
Investment income recognized in income	(525,000)	(495,000)
Increase in deferred contributions, expenses of future periods	20,742	30,287
Capital assets acquired	(53,735)	(30,953)
Increase in investments	(1,064,756)	(608,702)
	(13,052)	(76,806)
(Decrease) increase in cash position	(20,395)	13,685
Cash position, beginning of year	97,322	83,637
Cash position, end of year	\$ 76,927	\$ 97,322

See accompanying notes to financial statements.

ACADIA DIVINITY COLLEGE

Notes to Financial Statements

Year ended March 31, 2014

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 CICA 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.

ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(c) 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.

(d) 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, 2014

1. Significant accounting policies (continued):

(e) Library:

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

(f) Use of estimates:

The preparation of the 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 revenue and expenses during the year. Actual results could differ from those estimates.

2. Accounts receivable:

	2014	2013
Acadia University	\$ 277,650	\$ 226,961
Other	37,988	33,538
	315,638	260,499
Allowance for doubtful accounts	6,680	9,500
	\$ 308,958	\$ 250,999

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 56.99% (2013 - 54.96%), bonds 42.82% (2013 - 43.92%), and cash 0.19% (2013 - 1.11%). 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, 2014

4. Capital assets:

	2014			2013
	Cost	Accumulated amortization	Net book value	Net book value
Building and additions	\$ 755,874	\$ 513,479	\$ 242,395	\$ 214,695
Furniture	144,875	122,412	22,463	9,919
Equipment	357,898	342,234	15,664	15,996
Computer hardware	153,005	140,595	12,410	24,892
Computer software	39,727	35,588	4,139	10,120
Paving	7,967	3,582	4,385	4,766
	\$ 1,459,346	\$ 1,157,890	\$ 301,456	\$ 280,388

5. Deferred contributions - expenses of future periods:

				2014	2013
	Miscellaneous aid	Annuities	Operating grants	Total	Total
Balance, beginning of year	\$ 61,176	\$ 2,705	\$ 73,660	\$ 137,541	\$ 107,254
Add: amounts received during the year	3,078	—	171,546	174,624	94,652
Less: amounts recognized as revenue during the year	(13,070)	(300)	(128,512)	(141,882)	(64,365)
Less: amounts transferred to deferred capital grant	—	—	(12,000)	(12,000)	—
	\$ 51,184	\$ 2,405	\$ 104,694	\$ 158,283	\$ 137,541

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 90 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, 2014

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 \$1,275,662 (2013 - \$819,608), of which \$525,000 was recognized as income in the Statement of Operations (2013 - \$495,000). 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 calculated as follows:

	2014	2013
Income on unrestricted resources	\$ 760	\$ 3,292
Amount recognized in income from endowments	525,000	495,000
Investment income	\$ 525,760	\$ 498,292

ACADIA DIVINITY COLLEGE

Notes to Financial Statements (continued)

Year ended March 31, 2014

10. Contingent liability:

The College participates in a reciprocal exchange of insurance risks in association with fifty 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, 2013, CURIE had a surplus of \$66 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 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, 2014

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 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 8.64% of an employee's salary. Total employer contributions for 2014 were \$74,834 (2013 - \$70,432) 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 (2013 - \$10,190 per month). Related party balances as at March 31, 2014 included in the financial statements are as follows:

- (i) accounts receivable of \$277,650 (2013 - \$226,961) from Acadia University related to student tuition, unspent library funds and special grants; and
- (ii) accounts payable and accrued liabilities of \$165,462 (2013 - \$85,554) 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 fiscal year ending March 31, 2014, total payments made to the Convention relating to these contracts was equal to \$31,394 (2013- \$41,700). As of March 31, 2014, there were no Convention employees under contract by the College.

The College received \$68,301 (2013 - \$65,783) from the Convention of Atlantic Baptist Churches.

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.

14. Comparative figures:

Certain 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

ACADIA DIVINITY COLLEGE

Schedule of Operations by Fund

Year ended March 31, 2014, with comparative information for 2013

	Invested in in capital assets	Restricted for endowment	Internally restricted	Unrestricted	2014 Total	2013 Total
Revenue:						
Provincial grant	\$ -	\$ -	\$ -	\$ 657,296	\$ 657,296	\$ 647,369
Donations:						
Annual fund	-	-	-	370,956	370,956	343,365
Student aid	-	-	-	13,070	13,070	18,973
Other	-	-	-	45,207	45,207	350,572
Annuities	-	-	-	300	300	300
Investment income	-	525,000	-	760	525,760	498,292
Student academic fees	-	-	-	728,062	728,062	787,118
Convention of Atlantic Baptist Churches	-	-	-	68,302	68,302	65,784
Miscellaneous income	-	-	-	6,232	6,232	7,622
Increase in cash surrender value of life insurance	-	-	15,641	-	15,641	5,366
Other non-government grants	-	-	-	69,108	69,108	45,617
	-	525,000	15,641	1,959,293	2,499,934	2,770,378
Expenses:						
Academic	-	-	-	1,020,250	1,020,250	947,692
Administration	-	372,354	-	692,388	1,064,742	1,154,789
Scholarships, bursaries and prizes	-	152,646	-	-	152,646	185,767
Library	-	-	-	68,059	68,059	66,200
Plant services	-	-	-	92,531	92,531	70,582
Student aid awards	-	-	-	81,046	81,046	90,059
Student services	-	-	-	27,368	27,368	28,231
Amortization of capital assets (net)	37,358	-	-	-	37,358	41,805
Annuities	-	-	-	300	300	300
	37,358	525,000	-	1,981,942	2,544,300	2,585,424
Excess (deficiency) of revenue over expenses	\$ (37,358)	\$ -	\$ 15,641	\$ (22,649)	\$ (44,366)	\$ 184,953