AMBROSE
UNIVERSITY

Financial Statements

April 30, 2022
And Independent Auditors' Report therein

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Ambrose University

Opinion

We have audited the financial statements of Ambrose University (the Entity), which comprise:

- the statement of financial position as at April 30, 2022;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in net assets 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 April 30, 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.

Emphasis of Matter – Significant Judgments related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that Ambrose University's ability to continue as a going concern is dependent on the continued support of its lender.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance 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.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

September 22, 2022

Ambrose University
Statement of Financial Position
As at April 30, 2022 with comparative information for 2021

		2022		2021 *(Adjusted - note 20)*
Assets				
Current assets				
Cash	$	**2,581,471**	$	3,890,657
Accounts receivable *(note 4, 17)*		**525,732**		1,191,221
Inventory		**105,832**		49,362
Prepaid expenses		**158,695**		302,959
Total current assets		**3,371,730**		5,434,199
Non-current assets				
Investments *(note 5)*		**12,600,101**		12,298,674
Capital assets *(note 6)*		**32,714,799**		33,464,384
	$	**48,686,630**	$	51,197,257
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities *(note 7)*		**1,384,359**		1,146,251
Deferred contributions and deposits *(note 8)*		**2,714,037**		2,773,510
Deposit received on land sale (note 16(a))		**1,300,000**		-
Current portion of loans and borrowings *(note 9)*		**15,082,361**		3,205,984
Total current liabilities		**20,480,757**		7,125,745
Non-current liabilities				
Loans and borrowings *(note 9)*		**614,717**		15,866,612
Deferred contributions				
Annuity contracts *(note 9, 10)*		**2,204,933**		2,229,933
Deferred capital contributions *(note 11)*		**14,997,491**		15,548,669
		17,202,424		17,778,602
Net Assets				
Accumulated operating deficit		**(2,090,297)**		(1,212,148)
Endowments *(note 12)*		**10,258,056**		11,320,414
Invested in capital assets *(note 13)*		**2,220,973**		318,032
		10,388,732		10,426,298
	$	**48,686,630**	$	51,197,257

Going Concern *(note 2)*
Commitments *(note 18)*

The accompanying notes are an integral part of these financial statements

Approved by the Board of Governors

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Ambrose University
Statement of Operations
As at April 30, 2022 with comparative information for 2021

		2022	2021 *(Adjusted - note 20)*
Revenue			
Tuition and student fees	**$**	**8,483,740**	$ 8,880,888
Donations and constituent support *(note 14)*		**3,495,776**	2,657,236
Government grants		**3,104,208**	2,949,922
Sales, rent and ancillary, net *(note 15)*		**505,448**	324,559
Government relief (note 17)		**513,437**	2,089,792
Endowment and other		**1,405,244**	861,987
		17,507,853	17,764,384
Expenses			
Employee compensation, benefits and other		**11,540,299**	10,537,992
Operating supplies		**1,189,251**	1,046,747
Scholarships and bursaries		**1,255,110**	1,092,909
Interest *(note 9)*		**918,303**	940,866
Communications, advertising and events		**381,622**	350,526
Facilities		**937,684**	706,502
Travel and hospitality		**247,059**	90,575
Professional fees		**382,914**	228,123
Annuity payments *(notes 9 and 10)*		**148,211**	148,629
Other expenses		**14,146**	56,314
		17,014,599	15,199,183
Excess of revenue over expenses before the following		**493,254**	2,565,201
Amortization of capital assets		**(1,579,887)**	(1,538,837)
Amortization of deferred capital contributions *(note 11)*		**630,177**	653,501
Gain on annuity contract maturities *(note 10)*		**15,000**	-
Change in fair value of interest rate swap *(note 9)*		**1,518,171**	1,206,147
Excess of revenue over expenses	**$**	**1,076,715**	$ 2,886,012

The accompanying notes are an integral part of these financial statements

Ambrose University
Statement of Cash Flows
As at April 30, 2022 with comparative information for 2021

	2022	2021
Cash flow from operating activities:		
Cash received for tuition and student fees	**$ 8,045,276**	$ 8,786,542
Cash received from donors and constituents	**3,582,609**	2,635,664
Government funding received	**3,117,935**	3,016,072
Cash received from customers, tenants and others	**2,444,200**	3,816,435
Cash paid to and on behalf of employees, suppliers and annuitants	**(15,210,068)**	(13,874,485)
Interest received	**2,696**	1,909
Interest paid	**(831,152)**	(857,316)
Net cash flow from operating activities	**1,151,496**	3,524,821
Cash flow from financing activities:		
Capital contributions received	**69,000**	1,225,304
Restricted contributions received	**85,800**	653,501
Repayment of loans and borrowings	**(2,031,393)**	(617,818)
Net cash flow from financing activities	**(1,876,593)**	1,260,987
Cash flow from investing activities:		
Capital expenditures	**(830,302)**	(540,962)
Deposit on sale of land	**1,300,000**	-
Net change in investments	**(1,053,787)**	(2,600,193)
Net cash flow from investing activities	**(584,089)**	(3,141,155)
Increase (decrease) in cash	**(1,309,186)**	1,644,653
Cash, beginning of year	**3,890,657**	2,246,004
Cash, end of year	$ 2,581,471	$ 3,890,657

The accompanying notes are an integral part of these financial statements

Ambrose University
Statement of Changes in Net Assets
As at April 30, 2022 with comparative information for 2021

	Year ended April 30, 2022			
	Accumulated operating deficit	**Endowments**	**Invested in capital assets**	**Total**
Balance, May 1, 2021	$(1,212,148)	$ 11,320,414	$ 318,032	**$ 10,426,298**
Excess of revenue over expenses	1,076,715	-		**1,076,715**
Direct changes in net assets:				
Restricted contributions received	-	420,452	-	**420,452**
Net investment income	-	988,577	-	**988,577**
Change in fair market value of investments	(51,923)	(1,555,079)	-	**(1,607,002)**
Endowment distributions	-	(916,308)	-	**(916,308)**
Transfers of net assets:				
Net assets invested in capital assets *(note 13)*	(1,902,941)	-	1,902,941	-
Balance, April 30, 2022	$(2,090,297)	$ 10,258,056	$2,220,973	**$ 10,388,732**

	Year ended April 30, 2021 *(Adjusted - note 20)*			
	Accumulated operating deficit	**Endowments**	**Invested in capital assets**	**Total**
Balance, May 1, 2020	$(3,827,914)	$ 10,134,167	$47,786	**$ 6,354,039**
Excess of revenue over expenses	2,886,012	-		**2,866,012**
Direct changes in net assets:				
Restricted contributions received	-	142,946	-	**142,946**
Net investment income	-	671,395	-	**671,395**
Change in fair market value of investments	-	920,678	-	**920,678**
Endowment distributions	-	(548,772)	-	**(548,772)**
Transfers of net assets:				
Net assets invested in capital assets *(note 13)*	(270,246)	-	270,246	-
Balance, April 30, 2021	$(1,212,148)	$ 11,320,414	$318,032	**$ 10,426,298**

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

Ambrose University ("Ambrose") is a Christian university offering provincially accredited undergraduate arts and science degrees, and undergraduate and post-graduate degrees in ministry and theology. Ambrose was incorporated in Alberta on September 12, 2003 as Canadian Bible College/Canadian Theological Seminary Ltd. On March 24, 2004, after receiving accreditation by the Province of Alberta, the name was changed to Alliance University College Ltd. On May 2, 2007, the name was changed to Ambrose University College Ltd. after Canadian Nazarene University College Ltd., a separately accredited institution, transferred all of its net assets, operations and degree granting authority to Ambrose. On November 26, 2014 the name was changed to Ambrose University.

The financial statements of Ambrose include 1282185 Alberta Ltd., a wholly-owned bare trustee corporation that holds title to certain real property. There are no operations in 1282185 Alberta Ltd.

Ambrose is a registered charity under the Income Tax Act, Canada. Ambrose is not subject to income taxes under the Income Tax Act and, as such, no provision for income taxes is included in these financial statements.

2. Basis of presentation and going concern basis of accounting

The financial statements of Ambrose have been prepared by management on a going concern basis which assumes Ambrose will realize its assets and discharge its liabilities in the normal course of operations for at least 12 months from the date of issuance of the financial statements.

As at April 30, 2022, Ambrose is not in compliance with a debt covenant requiring a minimum debt service coverage ratio (note 9(f)). Non-compliance with the covenant gives the lender the right to demand immediate repayment of the outstanding term loan balance. As a result, the term loan has been presented on the statement of financial position as a current liability. Repayment of the term loan would also require settlement of the interest rate swap agreement at potentially unfavourable terms (note 9). Should Ambrose be required to repay the term loan and settle the interest rate swap agreement as a result of demand by the lender, Ambrose would need to secure alternative financing. Accordingly, Ambrose's ability to continue as a going concern requires the continued support of its current lender.

As a result of the foregoing there is a material uncertainty that may cast significant doubt upon Ambrose's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the going concern assumption were not appropriate, including adjustments to the carrying amounts of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

3. Significant accounting policies

The financial statements of Ambrose have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Handbook (the "Standards"). The following is a summary of significant accounting policies followed in preparation of the financial statements.

a. Use of estimates and judgement

The preparation of financial statements in accordance with the Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing the financial statements, the significant judgments made by management in applying Ambrose's accounting policies and the key sources of estimation were the valuation of accounts receivable, amortization rates, useful lives of capital assets, and impairment of long-lived assets.

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus. Ambrose is following health advisories and mandatory requirements from local, provincial and national health and government organizations. Market conditions had improved over the course of 2021 as nations began re-opening their economies, but the recent resurgence of COVID-19 cases (including cases related to variants or mutations of the COVID-19 virus) in certain geographic areas, and the possibilities that a resurgence may occur in other areas, has resulted in the re-imposition of certain restrictions by local authorities. In addition, while vaccines are being distributed, there is uncertainty as to the timing, level of adoption, duration of efficacy and overall effectiveness of the vaccine against variants or mutations. Management has been closely monitoring its financial results.

The ultimate duration and magnitude of the impact on the economy and the financial effect on Ambrose's future revenues, operating results and overall financial performance is not certain at this time.

For the year ended April 30, 2022, Ambrose has determined that COVID-19 has had no impact on its contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. Management has assessed the financial impacts of the COVID-19 pandemic and did not identify any impacts on its financial statements as at April 30, 2022.

Ambrose continues to use its tangible capital assets and management has not assessed any impairment that needs to be recognized on these assets at April 30, 2022. Ambrose also continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis (note 16(a)). As at April 30, 2022, Ambrose continues to meet its contractual obligations within normal payment terms.

b. *Revenue recognition*

Ambrose follows the deferral method of accounting for contributions, which include donations and government grants.

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

ii. Contributions externally restricted for purposes other than scholarships, endowments and capital assets are deferred and recognized as revenue in the year in which related expenses are recognized.

iii. Endowment contributions are recognized as direct increases in net assets in the year in which they are received. Investment income on endowment net assets is recognized as revenue in the year in which related expenses are recognized.

iv. Contributions restricted for the acquisition of capital assets are recognized as revenue in amounts that match the amortization expense of the related capital assets purchased with the contributions.

Tuition and student fees are recognized as revenue in the academic year to which they relate. Registration deposits and tuition payments for future academic terms are deferred.

Sales and ancillary revenue is recognized when goods are sold or services are performed.

Rent revenue is recognized in the period during which occupancy took place.

Gains resulting from the maturity of annuity contracts designated for operating purposes is recognized on the date of maturity of the annuity contract. Annuity contracts designated for capital purposes are recognized as deferred capital contributions on the date of maturity of the annuity contract.

c. *Cash and bank overdraft*

Cash and bank overdrafts include chequing accounts and bank overdrafts with Canadian financial institutions, with original term to maturity of three months or less.

d. *Inventory*

Inventory of bookstore merchandise is recorded at the lower of cost and net realizable value, determined on a first-in, first-out basis. Cost of goods sold is comprised of inventory expensed in the year.

e. *Investments*

Investments are recorded at market value, which is determined from published price quotations, and corresponding unrealized gains or losses that occur due to changes in market values are reported on the statement of operations for unrestricted funds and as direct changes in net assets for restricted funds.

f. *Capital assets*

Capital assets, except land and mineral rights, are measured at cost less accumulated amortization. Land and mineral rights are carried at cost and are not amortized. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset category	**Term**
Buildings	30 - 40 years
Library materials	10 - 12 years
Equipment and computers	3 - 10 years
Land improvements	7 years
Furnishings	3 - 10 years

Estimated useful lives of capital assets are reviewed annually and adjusted if appropriate. Any changes are accounted for prospectively. Capital assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized in the period it is determined impairment exists and is calculated as the excess of the carrying value of the asset over its fair value.

g. *Annuity contracts*

Annuity contracts are recorded at the amount received at the inception of the annuity contract. Until the annuity matures, the difference between the face value of the contracts and the estimated actuarial liability is treated as deferred revenue. Annuity contracts wherein Ambrose is not the beneficiary upon maturity are recorded as loans and borrowings. Periodic annuity payments are recorded as expenses on the statement of operations.

h. *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. Ambrose 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, Ambrose 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 Ambrose 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.

i. Government assistance

Government assistance related to current expenses and revenue is included in the determination of excess of revenue over expenses for the period (note 17).

4. Accounts receivable

	2022	2021 *(Adjusted - note 20)*
Student accounts receivable	**$ 296,078**	$ 152,496
Trade and other receivables	**207,052**	1,028,895
Goods and Services Tax recoverable	**22,602**	9,830
	$ 525,732	$1,191,221

5. Investments

Investments comprise pooled mutual funds professionally managed in accordance with the Investment Policy adopted by the Ambrose Board of Governors. Fair values of investments are based on quoted market prices on the date of the statement of financial position.

	2022	2021
Investments at cost	**$12,943,657**	$ 10,878,547
Unrealized (loss) gain	**(343,556)**	1,420,127
	$12,600,101	$ 12,298,674

6. Capital assets

	2022			2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 3,602,942	$ -	**$ 3,602,942**	$ 3,602,942
Buildings	43,546,271	15,874,703	**27,671,568**	29,004,608
Library materials	3,752,974	3,301,191	**451,783**	495,494
Equipment and computers	2,756,505	1,805,495	**951,010**	296,189
Land improvements	1,236,515	1,236,515	**-**	1,251
Furnishings	1,085,199	1,065,703	**19,496**	45,900
Mineral rights	18,000	-	**18,000**	18,000
	$ 55,998,406	$ 23,283,607	**$ 32,714,799**	$ 33,464,384

7. Accounts payable and accrued liabilities

	2022	2021
Trade accounts payable	**$ 1,194,124**	$ 966,914
Government payroll remittances payable	**148,414**	137,349
Accrued annuity payments	**41,821**	41,988
	$ 1,384,359	$ 1,146,251

8. Deferred contributions and deposits

	2022	2021 *(Adjusted - note 20)*
Student deposits and other prepayments	**$ 1,050,757**	$ 1,174,918
Deferred scholarships	**882,702**	713,278
Deferred donations	**647,497**	496,114
Deferred non-government grant funding	**53,081**	322,927
Deferred government grant funding	**80,000**	66,273
	$ 2,714,037	$ 2,773,510

9. Loans and borrowings

	Note	2022	2021
Current liabilities			
Bank financing	a,e)	**$13,820,619**	$ 644,496
Loan with Canadian Baptist Foundation	b)	**1,200,000**	2,500,000
Constituent loans	c)	**61,742**	61,488
		15,082,361	3,205,984
Non-current liabilities			
Bank financing	a)	**$ -**	15,251,894
Third party annuity contracts	d)	**614,717**	614,718
		614,717	**15,866,612**
		$ 15,697,078	$ 19,072,596

a) Bank financing

	2022	2021
Current portion[1] of Bank Term Loan	**672,327**	644,496
Bank term loan, with monthly payments of $109,600 to August 2038, bearing interest at 4.24% per annum until August 2028	**$ 14,815,004**	$ 15,487,330
Deferred financing costs, net of accumulated amortization	**(2,088,126)**	(2,175,022)
Fair value of interest rate swap	**421,414**	1,939,585
Non-current portion of Bank Term Loan[1]	**$ 13,148,292**	$ 15,251,894

Deferred financing costs are amortized over the repayment term of the bank term loan and $86,896 (2021 - $83,299) is included in interest expense on the statement of operations.

The bank term loan bears interest at the bank's prime rate. Ambrose has entered into an interest rate swap arrangement that secures an interest rate of 4.24% on the bank term loan until August 2028. The change in the fair market value of the interest rate swap is included on the statement of operations.

The bank term loan is secured by a mortgage providing a first charge on land and buildings and a General Security Agreement over net assets.

[1] Notwithstanding the demand right of the lender as a result of covenant non-compliance

9. Loans and borrowings (continued)

a) Bank financing (continued)

Notwithstanding the demand right of the lender as a result of covenant non-compliance, scheduled annual repayments of the bank term loan is as follows:

Years ending April 30	Amount
2023	$ 672,327
2024	701,359
2025	731,645
2026	763,239
2027	796,197
Thereafter	11,822,564
	$ 15,487,331

b) Canadian Baptist Foundation financing

Financing was obtained through Canadian Baptist Foundation to provide cash for operating purposes. The loan is repayable upon demand and bears interest at the Bank of Canada's prime rate plus 2% per annum. The loan is secured by a $4.5 million first charge on land.

c) Constituent loans

Various constituents have advanced funds to Ambrose to provide cash for capital and operating purposes. The loans are repayable upon demand, unsecured and bear interest at the rate of 1.5% per annum. The effective annual interest rate at April 30, 2022 is 1.5% (2021 – 1.5%).

d) Third party annuity contracts

Ambrose has entered into annuity contracts which pay the annuitants a periodic fixed amount for the lifetime of the annuitant, in exchange for an amount received from the annuitant upon inception of the contract. In accordance with the terms of the annuity contracts, any residual amount upon maturity of the annuity must be paid to third parties stipulated in the annuity contracts. Annuity payment rates vary depending on the anticipated time to maturity at the inception of the contract, and range from 2.6% to 12.0% per annum. The effective annual rate on the contracts at April 30, 2022 is 5.19% (2021 – 5.19%). Scheduled annual annuity payments to third parties at April 30, 2022, assuming no annuity contracts mature, total $31,875 (2021 – $31,875).

e) Bank Overdraft

Ambrose has a $0.5 million demand bank line of credit that may be used to fund short term cash deficiencies. Advances on this facility bear interest at the bank's prime rate plus 3.5% per annum April 30, 2022 – 6.7% (2021 – 5.95%). No amount is outstanding at year end.

f) Financial covenant

Ambrose is required to comply with certain covenants under its bank financing. Ambrose was not in compliance with a financial covenant that requires a minimum debt service coverage ratio of 110% for the year ended April 30, 2022. It is not known at this time what action, if any, the bank will take as a result of this breach.

10. Annuity contracts

Ambrose has entered into annuity contracts which pay the annuitants a periodic fixed amount for the lifetime of the annuitant, in exchange for an amount received from the annuitant upon inception of the contract. Annuity payment rates vary depending on the anticipated time to maturity at inception of the contract and range from 2.6% to 12% per annum. The weighted-average annuity payment rate at April 30, 2022 is 5.19% (2021 – 5.19%). Scheduled annual annuity payments at April 30, 2022, assuming no annuity contracts mature, total $116,502.

a) *Changes in annuity contracts for the years ended April 30:*

		2022		2021
Balance, beginning of year	$	2,229,933	$	2,229,933
Matured annuity contracts recognized as:				
Gain on annuity contract maturities		(15,000)		-
Deferred capital contributions		(10,000)		-
Balance, end of year	$	2,204,933	$	2,229,933

b) *Annuity contract maturity*

Annuity contracts at April 30 will be derecognized upon maturity based on the terms of the annuity contracts as follows:

		2022		2021
Gain on annuity contract maturities	**$**	**1,055,650**	$	1,070,650
Deferred capital contributions		**1,045,833**		1,055,833
Externally restricted net assets - scholarships		**103,450**		103,450
	$	**2,204,933**	$	2,229,933

11. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of restricted funds received for capital purposes.

		2022		2022
Balance, beginning of year	**$**	**15,548,669**	$	15,076,866
Capital contributions received		**78,999**		1,125,304
Amortization of deferred capital contributions recognized		**(630,177)**		(653,501)
Balance, end of year	**$**	**14,997,491**	$	15,548,669

12. Endowments

		2022		2021 *(Adjusted - note 20)*
Endowed scholarships	**$**	**7,648,179**	$	8,319,790
Other endowments		**2,609,877**		3,000,624
	$	**10,258,056**	$	11,320,414

13. Investment in capital assets

	2022	2021
Capital assets	**$ 32,714,799**	$ 33,464,384
Amounts financed by:		
Loans and borrowings	**(14,450,502)**	(16,541,850)
Annuity contracts	**(1,045,833)**	(1,055,833)
Deferred capital contributions	**(14,997,491)**	(15,548,669)
	$ 2,220,973	$ 318,032

14. Related party transactions

During the year ended April 30, 2022, Ambrose received contributions of $1,089,839 (2021 – $1,144,163) from district and national offices within the denominations of the Christian and Missionary Alliance in Canada and the Church of the Nazarene in Canada and in the United States. Each of these parties is affiliated with Ambrose. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

15. Sales, rent and ancillary revenue, net

	2022	2021
Revenue		
Sales	**$ 675,418**	$ 554,114
Rent	**600,933**	536,968
Events	**121,434**	10,385
	1,397,785	1,101,467
Expenses		
Cost of goods sold	**352,418**	299,832
Contract services	**355,050**	300,849
Other	**184,869**	176,227
	892,337	776,908
Sales, rent and ancillary revenue, net	**$ 505,448**	$ 324,559

16. Financial risks and concentration of credit risk

a) *Liquidity risk:*

Liquidity risk is the risk that Ambrose will be unable to fulfill its financial obligations on a timely basis or at a reasonable cost. Ambrose manages its liquidity risk by monitoring its operating cash flow requirements, and by preparing budgets and cash flow forecasts to ensure it has sufficient funds to meet its obligations.

Management has entered into a conditional sale agreement for vacant land and a deposit of $1,300,000 has been obtained. The sale of land is subject only to clearance through land titles and registration. The transaction is expected to close in February 2023 for total proceeds of $15,296,693 with $8,000,000 of such to be utilized in the reduction of Ambrose's existing debt.

Ambrose has secured borrowing to meet its anticipated cash flow needs until the conditional land sale is completed (note 9).

b) *Credit risk:*

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to Ambrose. Credit risk arises principally from Ambrose's cash deposits, and receivable accounts. Ambrose holds its cash deposits in a large Canadian financial institution. Management monitors its accounts receivable regularly and makes a provision for any amounts that are not collectible.

c) *Interest rate risk:*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Ambrose is exposed to interest rate risk on interest bearing investments and cash deposits, and certain loans and borrowings that bear interest at rates that fluctuate with market interest rates including exposure relating to interest rate swap contracts. There has been no change to interest rate risk exposure during the year.

d) *Currency risk:*

Currency risk is the risk associated with transacting in and holding balances that are denominated in foreign currencies. In the normal course of operations, Ambrose purchases goods and services and receives revenue denominated in foreign currencies and at times a portion of investments may be denominated in a foreign currency. There has been no change to currency risk exposure during the year.

e) *Market risk:*

Market risk is the risk that the value of financial assets will change resulting in a financial loss. Ambrose is exposed to market risk on its investments. Ambrose manages its investment portfolio to earn investment income and invests according to guidelines established by the Board of Governors. Ambrose is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes. There has been no change to market risk exposure during the year.

There have been no changes to Ambrose's risk exposure from 2021 other than the potential ongoing impact of COVID-19 as described in note 3.

17. Government assistance

The Government of Canada created the Canada Emergency Wage Subsidy ("CEWS") to provide financial assistance to entities who experienced a certain drop in revenues resulting from the COVID-19 outbreak. During the year, Ambrose met the eligibility requirements for this program.

Ambrose received $513,437 (2021 – $2,089,792) for the CEWS program. Of this, $127,466 is included in accounts receivable at April 30, 2022 (2021 – $980,126). The entire amount is non-repayable and has been recognized as government relief on the statement of operations for the year ended April 30, 2022.

18. Commitments

Ambrose has entered into various equipment operating leases that require the following annual payments:

Years ending April 30	Amount
2023	$ 374,000
2024	396,000
2025	403,000
2026	411,000
2027	29,000

19. Financial Information Return for purposes of the Charitable Fund-raising Act of Alberta

In accordance with Section 8 of the *Charitable Fund-raising Act* of Alberta, the following amounts are disclosed in addition to those disclosures reflected elsewhere in these financial statements which together comprise the Financial Information Return of Ambrose:

	2022	2021
Donations	**$ 1,819,248**	$ 2,372,388
Total direct expenses incurred for soliciting contributions	**162,809**	66,812
Remuneration to employees whose principal duties involved fundraising	**488,647**	395,892

20. Adjustments to comparative information for 2021

During the completion of the financial statements for the year ended April 30, 2022, certain adjustments to the previously reported financial statements were identified:

Financial statement item	As previously reported	Change	As adjusted
Accounts receivable (a)	$ 881,012	$ 310,209	$ 1,191,221
Government relief (a)	1,779,583	310,209	2,089,792
Deferred contributions and deposits (b)	2,060,232	713,278	2,773,510
Endowments (b)	11,927,536	607,122	11,320,414
Accumulated operating deficit (a,b)	1,416,201	204,053	1,212,148

(a) Period 14 and partly period 15 CEWS (government relief) was incorrectly omitted from the fiscal year ended April 30, 2021.

(b) Historically, amounts identified to be paid out of endowment as scholarships have been presented within net assets. These scholarships payable amounting to $713,278 at April 30, 2021 have been reclassified from net assets (endowments) to current liabilities (deferred contributions).
Secondly, Ambrose has not regularly adjusted its endowment portion of net assets to reflect contributions received for scholarships nor actual scholarships paid, resulting in a reclassification of $106,156 within net assets between accumulated operating deficit and endowments.