AMBROSE UNIVERSITY

Financial Statements

April 30, 2024
And Independent Auditor's Report therein

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INDEPENDENT AUDITOR'S 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, 2024;
- 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, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the 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 auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 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 26, 2024

Ambrose University

Statement of Financial Position

As at April 30, 2024 with comparative information for 2023

	2024	2023
Assets		
Current assets		
Cash	**$ 2,967,769**	$ 3,095,242
Accounts receivable *(note 3)*	**564,927**	289,916
Inventory	**71,956**	97,874
Prepaid expenses	**206,083**	217,512
Total current assets	**3,810,735**	3,700,544
Non-current assets		
Investments *(note 4)*	**10,859,969**	10,271,832
Capital and intangible assets *(note 5)*	**30,558,256**	32,547,457
	$ 45,228,960	$ 46,519,833
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 6)*	**$ 1,479,949**	**$** 1,063,122
Deferred contributions and deposits *(note 7)*	**3,023,024**	2,669,880
Deposit received on land sale	–	1,300,000
Current portion of loans and borrowings *(note 8)*	**3,105,431**	14,062,449
Total current liabilities	**7,608,404**	19,095,451
Non-current liabilities		
Loans and borrowings *(note 8)*	**672,460**	747,356
Deferred contributions		
Annuity contracts *(note 9)*	**989,433**	1,024,933
Deferred capital contributions *(note 10)*	**15,381,441**	15,960,597
	16,370,874	16,985,530
Net Assets		
Accumulated operating deficit	**(1,624,119)**	(2,877,736)
Reserve for institutes *(note 19)*	**261,738**	356,333
Endowments *(note 11 and 20)*	**9,929,368**	9,333,357
Invested in capital and intangible assets *(note 12)*	**12,010,235**	2,879,542
	20,577,222	9,691,496
	$ 45,228,960	$ 46,519,833

Commitments *(note 16)*

The accompanying notes are an integral part of these financial statements

Approved by the Board of Governors

Ambrose University
Statement of Operations
For the year ended April 30, 2024 with comparative information for 2023

	2024	2023
Revenue		
Tuition and student fees	**$ 9,927,916**	$ 8,849,611
Donations and constituent support *(note 13)*	**2,667,168**	2,539,352
Government grants	**3,342,562**	3,136,687
Sales, rent and ancillary, net *(note 14)*	**877,597**	792,088
Endowment and other	**1,512,712**	1,879,121
	18,327,955	17,196,859
Expenses		
Employee compensation, benefits and other	**12,420,672**	12,088,638
Operating supplies	**1,648,337**	1,143,491
Scholarships and bursaries	**1,556,076**	1,303,416
Interest *(note 8)*	**2,389,395**	855,318
Communications, advertising and events	**413,948**	396,668
Facilities	**1,035,601**	1,016,726
Travel and hospitality	**346,485**	297,834
Professional fees	**430,873**	271,407
Annuity payments *(notes 8 and 9)*	**84,043**	72,811
Other expenses	**40,464**	107,136
	20,365,894	17,553,445
(Deficiency) excess of revenue over expenses before the following	**(2,037,939)**	(356,586)
Amortization of capital and intangible assets	**(1,732,745)**	(1,611,077)
Amortization of deferred capital contributions *(note 10)*	**776,475**	633,207
Gain on annuity contract maturities *(note 9)*	**35,500**	1,180,000
Change in fair value of interest rate swap *(note 8)*	**229,242**	192,172
Gain on interest rate swap *(note 8)*	**342,357**	–
Gain on sale of land	**12,926,825**	–
Excess of revenue over expenses	**$ 10,539,715**	$ 37,716

The accompanying notes are an integral part of these financial statements

Ambrose University

Statement of Cash Flows

For the year ended April 30, 2024 with comparative information for 2023

	2024	2023
Cash flow from operating activities:		
Cash received for tuition and student fees	**$ 9,789,818**	$ 8,708,028
Cash received from donors and constituents	**2,544,336**	2,227,721
Government funding received	**3,345,921**	3,258,750
Cash received from customers, tenants and others	**2,065,798**	2,725,911
Cash paid to and on behalf of employees, suppliers and annuitants	**(17,304,785)**	(16,812,581)
Interest received	**191,755**	62,004
Interest paid	**(396,002)**	(764,316)
Net cash flow from operating activities	**236,841**	(594,483)
Cash flow from financing activities:		
Capital contributions received *(note 10)*	**197,319**	1,610,000
Restricted contributions received	**602,704**	–
Advances of loans and borrowings	**3,000,000**	215,795
Repayment of loans and borrowings	**(17,788,110)**	(1,092,805)
Interest rate swap proceeds	**342,357**	–
Net cash flow from financing activities	**(13,645,730)**	732,990
Cash flow from investing activities:		
Capital and intangible assets expenditures	**(2,113,412)**	(1,443,732)
Proceeds from sale of land	**15,296,694**	–
Proceeds on sale of investments	**155,671**	3,220,605
Purchases of investments	**(57,537)**	(1,401,609)
Net cash flow from investing activities	**13,281,416**	375,264
(Decrease) increase in cash	**(127,473)**	513,771
Cash, beginning of year	**3,095,242**	2,581,471
Cash, end of year	**$ 2,967,769**	$ 3,095,242

The accompanying notes are an integral part of these financial statements

Ambrose University

Statement of Changes in Net Assets

For the year ended April 30, 2024 with comparative information for 2023

	Year ended April 30, 2024				
	Accumulated operating deficit	Reserve for Institutes	Endowments	Invested in capital and intangible assets	Total
Balance, May 1, 2023	$(2,877,736)	356,333	$9,333,357	$2,879,542	**$9,691,496**
Excess of revenue over expenses	10,539,715	–	–	–	**10,539,715**
Direct changes in net assets:					
Restricted contributions received	–	–	602,704	–	**602,704**
Net investment income	–	–	497,228	–	**497,228**
Change in fair market value of investments	–	–	111,984	–	**111,984**
Endowment distributions	–	–	(865,905)	–	**(865,905)**
Transfers of net assets:					
Reserve for Institutes *(note 19)*	94,595	(94,595)	–	–	–
Endowments (*note 20*)	(250,000)	–	250,000	–	–
Net assets invested in capital and intangible assets *(note 12)*	(9,130,693)	–	–	9,130,693	–
Balance, April 30, 2024	$(1,624,119)	261,738	$9,929,368	$12,010,235	**$20,577,222**

	Year ended April 30, 2023				
	Accumulated operating deficit	Reserve for Institutes	Endowments	Invested in capital and intangible assets	Total
Balance, May 1, 2022	$(2,090,297)	–	$ 10,258,056	$ 2,220,973	**$ 10,388,732**
Excess of revenue over expenses	37,716	–	–	–	**37,716**
Direct changes in net assets:					
Restricted contributions received	–	–	77,375	–	**77,375**
Net investment income	189,747	–	665,996	–	**855,743**
Change in fair market value of investments	–	–	(173,305)	–	**(173,305)**
Endowment distributions	–	–	(1,494,765)	–	**(1,494,765)**
Transfers of net assets:					
Reserve for Institutes *(note 19)*	(356,333)	356,333	–	–	–
Net assets invested in capital and intangible assets *(note 12)*	(658,569)	–	–	658,569	–
Balance, April 30, 2023	$(2,877,736)	356,333	$ 9,333,357	$2,879,542	**$ 9,691,496**

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 section 149 of the Income Tax Act and, as such, no provision for income taxes is included in these financial statements.

2. 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.

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 endowments and capital assets or intangible 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 a direct increase in net assets.

2. Significant accounting policies (continued)

b. Revenue recognition (continued)

iv. Contributions restricted for the acquisition of capital assets or intangible assets are recognized as deferred capital contributions and recognized as revenue in amounts that match the amortization expense of the related capital assets or intangible 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

Cash includes chequing and savings accounts with Canadian financial institutions.

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 sold through in the year.

e. Investments

Investments are recorded at market value, which is determined from published price quotations. 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 endowments.

f. Capital and intangible assets

Capital and intangible 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. Assets not available for use 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 available for use as follows:

Asset category	Term
Buildings	30 – 40 years
Library materials	10 – 12 years
Equipment and computers	3 – 10 years
Computer software	7 years
Land improvements	7 years
Furnishings	3 – 10 years

Estimated useful lives of capital and intangible assets are reviewed annually and adjusted if appropriate. Any changes are accounted for prospectively. Capital and intangible 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.

2. Significant accounting policies (continued)

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. Contributed services

Contributed services are not recognized in the financial statements due to the difficulty in determining their fair value.

3. Accounts receivable

		2024		2023
Student accounts receivable	**$**	**394,450**	$	221,913
Trade and other receivables		**106,481**		45,667
Goods and Services Tax recoverable		**63,996**		22,336
	$	**564,927**	$	289,916

4. Investments

Investments are comprised of 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.

	2024	2023
Investments at cost	**$ 11,163,145**	$10,698,705
Unrealized loss	**(303,176)**	(426,873)
	$ 10,859,969	$10,271,832

5. Capital and intangible assets

	2024			**2023**
	Cost	**Accumulated amortization**	**Net book value**	**Net book value**
Land	$ 1,703,845	$ –	**$1,703,845**	$ 3,796,769
Buildings	43,576,330	18,482,733	**25,093,597**	26,404,105
Building under construction	1,258,540	–	**1,258,540**	74,055
Library materials	3,932,913	3,491,527	**441,386**	439,521
Equipment and computers	3,023,212	2,229,295	**793,917**	732,761
Computer software	1,286,315	91,879	**1,194,436**	1,065,151
Land improvements	1,236,515	1,236,515	–	–
Furnishings	1,150,014	1,095,479	**54,535**	17,095
Mineral rights	18,000	–	**18,000**	18,000
	$ 57,185,684	$ 26,627,428	**$ 30,558,256**	$ 32,547,457

The following assets included above are held under capital lease (*note 18*):

	2024			**2023**
	Cost	**Accumulated amortization**	**Net book value**	**Net book value**
Equipment	**$ 216,054**	$ 75,619	**$ 140,435**	$ 183,646

6. Accounts payable and accrued liabilities

	2024	**2023**
Trade accounts payable	**$ 726,274**	$ 399,473
Employee wages and benefits payable	**569,270**	494,140
Government payroll remittances payable	**158,293**	142,455
Accrued annuity payments	**26,112**	27,054
	$ 1,479,949	$ 1,063,122

7. Deferred contributions and deposits

	2024	2023
Student deposits and other prepayments	**$ 1,298,973**	$ 1,053,368
Deferred scholarships	**1,084,480**	1,080,745
Deferred donations	**408,692**	341,738
Deferred non-government grant funding	**148,674**	115,183
Deferred government grant funding	**82,205**	78,846
	$ 3,023,024	$ 2,669,880

8. Loans and borrowings

	Note	2024	2023
Current liabilities			
Bank financing	*a,e)*	**$ 2,992,879**	$13,046,768
Loan with Canadian Baptist Foundation	*b)*	–	902,248
Capital lease obligations (*note 18*)		**56,789**	51,431
Constituent loans	*c)*	**55,763**	62,002
		3,105,431	14,062,449
Non-current liabilities			
Capital lease obligations (*note 18*)		**76,743**	132,639
Third party annuity contracts	*d)*	**595,717**	614,717
		672,460	747,356
		$ 3,777,891	$ 14,809,805

a) Bank financing

	2024	2023
CIBC demand loan, with blended monthly payments of $22,546 to February 2044, bearing interest at 6.60% per annum until February 2025	**2,992,879**	–
TD Bank term loan, with blended monthly payments of $109,605 to August 2038, bearing interest at 4.24% per annum until August 2028	–	14,815,003
TD Bank term loan deferred financing costs, net of accumulated amortization	–	(1,997,477)
TD Bank term loan fair value of interest rate swap	–	229,242
Current portion of bank term loan	**$ 2,992,879**	$ 13,046,768

CIBC demand loan:

The CIBC demand loan for $3,000,000 was advanced in August 2023 and monthly payments of interest only at bank prime plus 1.00% per annum, which resulted in effective rate of 6.60% per annum, were required until February 2024 after which time monthly blended payments of principal and interest are required. Interest paid in the year was $164,122.

8. Loans and borrowings (continued)

a) Bank financing (continued)

The CIBC demand loan is secured with a General Security Agreement and with a collateral mortgage in the amount of $5,750,000, and a general assignment of leases and rents against the real property located at 40 Springborough Boulevard SW, Calgary, Alberta. The carrying value of the real property is $26,352,137. And, as a condition of the demand loan, Ambrose is required to ensure that its Debt Service Coverage Ratio, as defined in the bank agreement, is not less than 1.15 to 1.00 at any time. As at April 30, 2024, Ambrose was in compliance with this covenant.

The $2,992,879 CIBC demand loan balance as at April 30, 2024, includes accrued interest payable of $4,771.

Notwithstanding the demand right of CIBC, scheduled annual repayments of the loan is as follows:

Years ending April 30	Amount
2025	**$ 80,366**
2026	**80,738**
2027	**86,231**
2028	**92,098**
2029	**98,363**
Thereafter	**2,555,083**
	$ 2,992,879

TD Bank term loan:

The TD Bank term loan bore interest at the bank's prime rate. Ambrose had entered into an interest rate swap arrangement that secured an interest rate of 4.24% on the bank term loan until August 2023 with an option to renew until August 2028. This loan was repaid in August 2023. Interest paid in the year was $198,000 (2023 - $642,935). The realized gain on the interest rate swap and the change in the fair market value of the interest rate swap are included on the statement of operations.

The TD Bank term loan deferred financing costs were amortized over the repayment term of the TD Bank term loan, $1,997,477 (2023 - $90,649) is included in interest expense on the statement of operations.

Ambrose was required to comply with certain covenants under its TD Bank financing. Ambrose was not in compliance with a financial covenant that required a minimum Debt Service Coverage Ratio of 110% for the year ended April 30, 2023. Therefore, TD Bank had the right to demand payment as at that date and until the loan was repaid in August 2023.

b) Canadian Baptist Foundation financing

Financing was obtained through Canadian Baptist Foundation to provide cash for operating purposes. The loan was repayable upon demand and bore interest at the Bank of Canada's prime rate plus 2% per annum. The loan was secured by a $4.5 million first charge on land. The loan was repaid in full in June 2023. Interest paid in the year was $10,875 (2023 - $104,181).

8. Loans and borrowings (continued)

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, 2024, is 1.5% (2023 – 1.5%). Aggregate interest paid on these loans in the year was $850 (2023 - $926).

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, 2024, is 5.14% (2023 – 5.25%). Scheduled annual annuity payments to third parties at April 30, 2024, assuming no annuity contracts mature, total $30,366 (2023 – $31,254).

e) Bank demand line of credit

During the year Ambrose secured a new bank demand line of credit with the CIBC for $2.5 million that may be used to fund short-term cash deficiencies. Advances on this facility bear interest at the bank's prime rate plus 1.00% per annum (April 30, 2024 – 6%). This demand line of credit is secured with General Security Agreement over net assets. The amount outstanding at April 30, 2024 was $nil.

9. 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, 2024 is 5.11% (2023 – 5.17%). Scheduled annual annuity payments at April 30, 2024, assuming no annuity contracts mature, total $51,181.

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

	2024	2023
Balance, beginning of year	**$ 1,024,933**	$ 2,204,933
Matured annuity contracts recognized as:		
Gain on annuity contract maturities	**(35,500)**	(1,180,000)
Balance, end of year	**$ 989,433**	$ 1,024,933

b) *Annuity contract maturity*

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

	2024	2023
Gain on annuity contract maturities	**$ 845,150**	$ 875,650
Deferred capital contributions	**45,833**	45,833
Externally restricted net assets - scholarships	**98,450**	103,450
	$ 989,433	$ 1,024,933

10. Deferred capital contributions

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

	2024	2023
Balance, beginning of year	**$ 15,960,597**	$ 14,997,491
Capital contributions received	**197,319**	1,596,313
Amortization of deferred capital contributions	**(776,475)**	(633,207)
Balance, end of year	**$ 15,381,441**	$ 15,960,597

11. Endowments

	2024	2023
Endowed scholarships	**$ 7,939,537**	$ 7,130,405
Other endowments	**1,989,831**	2,202,952
	$ 9,929,368	$ 9,333,357

12. Investment in capital and intangible assets

	2024	2023
Capital and intangible assets	**$ 30,558,256**	$ 32,547,457
Amounts financed by:		
Loans and borrowings	**(3,120,747)**	(13,661,485)
Annuity contracts	**(45,833)**	(45,833)
Deferred capital contributions	**(15,381,441)**	(15,960,597)
	$ 12,010,235	$ 2,879,542

13. Related party transactions

During the year ended April 30, 2024, Ambrose received contributions of $796,372 (2023 – $907,193) 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.

14. Sales, rent and ancillary revenue, net

	2024	2023
Revenue		
Sales	**$ 1,001,243**	$ 899,522
Rent	**866,535**	849,142
Events	**194,939**	167,247
	2,062,717	1,915,911
Expenses		
Cost of goods sold	**547,255**	486,476
Contract services	**514,349**	452,117
Other	**123,516**	185,230
	1,185,120	1,123,823
Sales, rent and ancillary revenue, net	**$ 877,597**	$ 792,088

15. 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.

During the year, Ambrose sold vacant land for net proceeds of $15,296,694, all of which was utilized in the reduction of Ambrose's existing debt (*note 8*). In addition, Ambrose entered into a new debt facility agreement with a new lender (*note 8*). As a result of the reduction in debt amounts owed, liquidity risk has been reduced compared to 2023.

15. Financial risks and concentration of credit risk (continued)

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. There has been no significant change to credit risk exposure during the year.

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. As a result of the ending of the interest rate swap contract in the year, interest rate risk has been reduced compared to 2023.

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 significant 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 the Investment Policy adopted by the Ambrose 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 significant change to market risk exposure during the year.

16. Commitments

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

Years ending April 30	Amount
2025	$ **358,000**
2026	**366,000**
2027	**2,000**
2028	**190**

17. 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:

	2024	2023
Donations	**$ 2,301,121**	$ 2,969,247
Total direct expenses incurred for soliciting contributions	**100,349**	132,739
Remuneration to employees whose principal duties involved fundraising	**230,052**	531,943

18. Obligation under capital lease

Capital lease on computer equipment repayable over 48 months until July 2026. The minimum monthly lease payment is $5,406 and imputed interest on this lease is 8.35%. This lease is secured with computer equipment with a carrying value of $140,435. Interest expense related to the capital lease obligation amounted to $14,331 for the year ended 2024 (2023 - $11,262).

	2024	2023
Obligation under capital lease	**$133,532**	$ 184,070
Less current portion due within one year	**(56,789)**	(51,431)
	$76,743	$ 132,639

Minimum lease payments required for capital lease obligations including interest are:

2025	**$64,869**
2026	**64,869**
2027	**16,217**
Total minimum lease payments	**$145,955**
Less: imputed interest	**(12,423)**
	$133,532

19. Reserve for Ambrose Institutes

Ambrose established internally restricted net assets for Ambrose Institutes effective for fiscal year ended April 30, 2023. Ambrose Institutes are dedicated to research that simultaneously contributes to current academic discussions and directly benefits external stakeholders, organizations, industries and communities that intersect with Ambrose's scholarly work.

	2024	2023
Canadian Poverty Institute	**$ (74,846)**	$ (13,286)
Flourishing Congregations Institute	**15,171**	(3,997)
Jaffray Centre For Global Initiatives	**321,413**	373,616
	$ 261,738	$ 356,333

20. Inter-fund transfer

In the 2022 fiscal year Ambrose received a $250,000 partial distribution donation from an estate. There was no indication at the time that the donation was restricted in any way. In accordance with Ambrose's revenue recognition policy, the donation was recognized as unrestricted revenue in that year.

During the 2024 fiscal year, Ambrose received the final distribution of the estate donation and was informed that both donation distributions were to be used for an endowment. On account of this endowment restriction, the $250,000 was transferred from the accumulated operating deficit to the endowments during the year.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.