AMBROSE UNIVERSITY

Financial Statements

April 30, 2020

And Independent Auditors' Report therein

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

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, 2020;
- 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, 2020, 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 its ability to generate sufficient cash flows from operations, service its existing debt obligations and 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 an uncertainty exists that may cast 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's 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
October 22, 2020

Ambrose University
Statement of Financial Position
As at April 30, 2020

	2020	2019
Assets		
Current assets		
Cash	**$ 2,246,004**	$ -
Accounts receivable *(note 4)*	**1,127,210**	307,660
Inventory	**47,418**	118,573
Prepaid expenses	**404,981**	427,825
Total current assets	**3,825,613**	854,058
Non-current assets		
Investments *(note 5)*	**9,698,481**	9,577,114
Capital assets *(note 6)*	**34,462,259**	35,255,539
	$ 47,986,353	$ 45,686,711
Liabilities		
Current liabilities		
Bank overdraft *(note 7)*	**$ -**	$ 126,575
Accounts payable and accrued liabilities *(note 8)*	**973,030**	1,307,533
Deferred contributions and deposits *(note 9)*	**1,911,565**	2,482,233
Current portion of loans and borrowings *(note 10)*	**3,179,054**	16,992,420
Total current liabilities	**6,063,649**	20,908,761
Non-current liabilities		
Loans and borrowings *(note 10)*	**17,633,955**	614,718
Deferred contributions		
Annuity contracts *(note 11)*	**2,229,933**	2,375,932
Deferred capital contributions *(note 12)*	**15,076,866**	15,345,494
	17,306,799	17,721,426
Net Assets		
Accumulated operating deficit	**(3,721,759)**	(4,570,780)
Endowments *(note 13)*	**10,655,923**	9,765,523
Invested in capital assets *(note 14)*	**47,786**	1,247,063
	6,981,950	6,441,806
	$ 47,986,353	$ 45,686,711

Going concern assumption *(note 2)*
Commitments *(note 18)*

The accompanying notes are an integral part of these financial statements

Approved by the Board of Governors

Ambrose University
Statement of Operations
Year ended April 30, 2020

	2020	2019
Revenue		
Tuition and student fees	**$ 8,498,965**	$ 8,570,603
Donations and constituent support *(note 15)*	**3,516,480**	2,972,547
Government grants	**3,020,030**	2,996,829
Sales, rent and ancillary, net *(note 16)*	**698,747**	997,181
Government relief	**789,749**	-
Endowment and other	**1,066,313**	759,853
	17,590,284	16,297,013
Expenses		
Employee compensation, benefits and other	**10,373,730**	10,982,711
Operating supplies	**1,562,794**	1,540,657
Scholarships and bursaries	**1,082,800**	951,726
Interest	**989,771**	843,153
Communications, advertising and events	**527,273**	697,943
Facilities	**651,317**	898,798
Travel and hospitality	**271,035**	345,480
Professional fees	**341,073**	367,138
Annuity payments *(notes 10 and 11)*	**152,591**	233,009
Other expenses (recoveries)	**(18,872)**	32,380
	15,933,512	16,892,995
Surplus (deficiency) of revenue over expenses before the following	**1,656,772**	(595,982)
Amortization of capital assets	**(1,512,159)**	(1,562,082)
Amortization of deferred capital contributions *(note 12)*	**598,149**	601,757
Gain on annuity contract maturities *(note 11)*	**125,000**	35,000
Change in fair value of interest rate swap *(note 10)*	**(1,218,018)**	(549,327)
Deficiency of revenue over expenses	**$ (350,256)**	$ (2,070,634)

The accompanying notes are an integral part of these financial statements

Ambrose University
Statement of Cash Flows
Year ended April 30, 2020

	2020	2019
Cash flow from operating activities:		
Cash received for tuition and student fees	**$ 8,114,444**	$ 8,853,749
Cash received from donors and constituents	**3,414,872**	3,018,723
Government funding received	**2,914,500**	2,983,482
Cash received from customers, tenants and others	**3,544,283**	3,151,003
Cash paid to and on behalf of employees, suppliers and annuitants	**(16,918,076)**	(16,856,182)
Interest received	**5,316**	3,963
Interest paid	**(909,673)**	(766,363)
Net cash flow from operating activities	**165,666**	388,375
Cash flow from financing activities:		
Capital contributions received	**298,520**	45,381
Restricted contributions received	**598,149**	267,721
Cash received from annuitants	**-**	-
Repayment of loans and borrowings	**(592,244)**	(581,850)
Advances of loans and borrowings	**2,500,000**	-
Net cash flow from financing activities	**2,804,425**	(268,748)
Cash flow from investing activities:		
Capital expenditures	**(718,879)**	(379,125)
Net change in investments	**121,367**	(229,840)
Net cash flow from investing activities	**(597,512)**	(608,965)
Increase in cash	**2,372,579**	(489,338)
(Bank overdraft) cash, beginning of year	**(126,575)**	362,763
Cash (bank overdraft), end of year	**$ 2,246,004**	$(126,575)

The accompanying notes are an integral part of these financial statements

Ambrose University
Statement of Changes in Net Assets
Year ended April 30, 2020

	Year ended April 30, 2020			
	Accumulated operating deficit	Externally restricted	Invested in capital assets	Total
Balance, May 1, 2019	$(4,570,780)	$ 9,765,523	$ 1,247,063	**$ 6,441,806**
Surplus (deficiency) of revenue over expenses *(note 14)*	2,637,932	-	(2,988,188)	**(350,256)**
Direct changes in net assets:				
Restricted contributions received	-	1,066,579	-	**1,066,579**
Net investment income	-	475,075	-	**475,075**
Change in fair market value of investments	-	(223,213)	-	**(223,213)**
Endowment distributions	-	(428,041)	-	**(428,042)**
Transfers of net assets:				
Net investment in capital assets *(note 14)*	(1,788,911)	-	1,788,911	-
Balance, April 30, 2020	$(3,721,759)	$ 10,655,923	$ 47,786	**$ 6,981,950**

	Year ended April 30, 2019			
	Accumulated operating deficit	Externally restricted	Invested in capital assets	Total
Balance, May 1, 2018	$(3,170,748)	$ 9,181,606	$ 1,917,665	**$ 7,928,523**
Surplus (deficiency) of revenue over expenses *(note 14)*	394,447	-	(2,465,081)	**(2,070,634)**
Direct changes in net assets:				
Restricted contributions received	-	267,721	-	**267,721**
Gain on annuity contract maturities *(note 11)*	-	-	-	**-**
Net investment income	-	617,463	-	**617,463**
Change in fair market value of investments	-	212,727	-	**212,727**
Endowment distributions	-	(513,994)	-	**(513,994)**
Transfers of net assets:				
Net investment in capital assets *(note 14)*	(1,794,479)	-	1,794,479	-
Balance, April 30, 2019	$(4,570,780)	$ 9,765,523	$ 1,247,063	**$ 6,441,806**

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.

In response to its financial position, management has entered into a conditional sale agreement for vacant land. Proceeds from the land sale are not anticipated prior to Ambrose's fiscal year ending April 30, 2021. Ambrose has secured borrowing to meet its anticipated cash flow needs until the conditional land sale is completed (note 10).

Ambrose met a debt covenant requiring a minimum debt service coverage ratio for the 2020 fiscal year after operating outside of compliance with that debt covenant from the 2015 through to 2019 fiscal years (note 10). As a result of meeting the covenant for the current fiscal year, the long-term portion of the bank financing scheduled to be repaid to 2038 has been presented on the statement of financial position as a non-current liability. Ambrose's ability to continue as a going concern is dependent on continued future debt covenant compliance, support of its lender, and generation of positive cash flows from operations.

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 the 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 allowance for doubtful accounts, amortization rates and useful lives of capital assets, and impairment of long-lived assets.

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Calgary resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Ambrose has experienced temporary declines in the fair value of investments and investment income, decline in revenue activities, etc. in relation to the COVID-19 pandemic. 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 known at this time (note 2).

As at the reporting date, 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, 2020.

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, 2020. Ambrose also continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at April 30, 2020, Ambrose continues to meet its contractual obligations within normal payment terms and its exposure to credit risk remains largely unchanged. An estimate of the financial effect of these items is not practicable at this time.

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.

Rental 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 held 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 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 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. Changes in accounting policies

In March 2018, the Accounting Standards Board issued “Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of new handbook sections in the Accounting Standards for Not-for-Profit Part III of the Handbook as follows:

Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a nonreversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at May 1, 2019.

Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset’s fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at May 1, 2019.

Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at May 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at May 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

4. Accounts receivable

	2020	2019
Student accounts receivable	**$ 168,942**	$ 158,206
Trade and other receivables	**947,838**	142,096
Goods and Services Tax recoverable	**10,430**	7,358
	$1,127,210	$ 307,660

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.

	2020	2019
Investments at cost	**$ 9,083,723**	$ 8,739,143
Unrealized gains	**614,758**	837,971
	$ 9,698,481	$ 9,577,114

6. Capital assets

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 3,602,942	$ -	**$ 3,602,942**	$ 3,602,942
Buildings	43,391,438	13,274,321	**30,117,117**	30,797,109
Library materials	3,579,127	3,071,597	**507,530**	540,966
Equipment and computers	1,713,921	1,577,809	**136,112**	183,258
Land improvements	1,236,515	1,232,760	**3,755**	6,259
Furnishings	1,085,199	1,008,396	**76,803**	107,005
Mineral rights	18,000	-	**18,000**	18,000
	$ 54,627,142	$ 20,164,883	**$ 34,462,259**	$ 35,255,539

7. 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 0.5% (April 30, 2020 – 2.95%). No amount is outstanding at year end (2018 – $126,575).

8. Accounts payable and accrued liabilities

	2020	2019
Trade accounts payable	**$ 802,724**	$ 1,123,625
Government payroll remittances payable	**127,970**	141,572
Accrued annuity payments	**42,336**	42,336
	$ 973,030	$ 1,307,533

9. Deferred contributions and deposits

	2020	2019
Student deposits and other prepayments	**$ 1,146,311**	$1,366,860
Deferred donations	**510,747**	611,422
Deferred non-government grant funding	**254,384**	398,298
Deferred government grant funding	**123**	105,653
	$ 1,911,565	$ 2,482,233

10. Loans and borrowings

	Note	2020	2019
Current liabilities			
Bank financing	*a)*	**$ 617,818**	$ 16,931,431
Loan with Canadian Baptist Foundation	*b)*	**2,500,000**	-
Constituent loans	*c)*	**61,236**	60,989
		3,179,054	16,992,420
Non-current liabilities			
Bank financing	*a)*	**$ 17,019,238**	-
Annuity contracts	*d)*	**614,717**	614,718
		17,633,955	**614,718**
		$ 20,813,009	$ 17,607,138

a) Bank financing

	2020	2019
Current portion of Bank Term Loan	**617,818**	-
Bank term loan, with monthly payments of $109,600 to August 2038, bearing interest at 4.24% per annum until August 2028	**$ 16,131,826**	$ 17,341,888
Deferred financing costs, net of accumulated amortization	**(2,258,321)**	(2,338,172)
Fair value of interest rate swap	**3,145,733**	1,927,715
	$ 17,019,238	$ 16,931,431

Deferred financing costs are amortized over the repayment term of the bank term loan and $79,851 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 with a net carrying amount at April 30, 2020 of $33.7 million and a General Security Agreement over net assets.

Scheduled annual principal repayment of the bank term loan is as follows:

Years ending April 30	Amount
2021	$ 617,818
2022	644,496
2023	672,326
2024	701,359
2025	731,645
Thereafter	13,382,000
	$ 16,749,644

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 a rate of prime plus 2%. 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 rates from 1.5% to 3.0%. The effective annual rate of interest at April 30, 2020 is 1.5%.

d) *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, 2020 is 5.25%. Scheduled annual annuity payments to third parties at April 30, 2020, assuming no annuity contracts mature, total $32,000.

e) *Financial covenant*

Ambrose is required to comply with certain covenants under its bank financing. Ambrose was in compliance with a financial covenant that requires a minimum debt service coverage ratio of 110% for the year ended April 30, 2020. Ambrose had been in non-compliance for the years of 2015 through to 2019.

11. 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, 2020 is 5.25%. Scheduled annual annuity payments at April 30, 2020, assuming no annuity contracts mature, total $117,000.

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

	2020	**2019**
Balance, beginning of year	$ 2,375,932	$ 4,745,932
New annuity contracts	10,001	-
Matured annuity contracts recognized as:		
Gain on annuity contract maturities	(125,000)	(35,000)
Deferred capital contributions	(31,000)	(2,335,000)
Balance, end of year	$ 2,229,933	$ 2,375,932

b) *Annuity contract maturity*

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

	2020	2019
Gain on annuity contract maturities	**$ 1,070,650**	$ 1,185,649
Deferred capital contributions	**1,055,833**	1,086,833
Externally restricted net assets - scholarships	**103,450**	103,450
	$ 2,229,933	$ 2,375,932

12. Deferred capital contributions

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

	2020	2019
Balance, beginning of year	**$ 15,345,494**	$ 13,566,870
Capital contributions received	**329,521**	45,381
Recognized upon annuity contract maturities	**-**	2,355,000
Amortization of deferred capital contributions recognized	**(598,149)**	(601,757)
Balance, end of year	**$ 15,076,866**	$ 15,345,494

13. Externally restricted net assets

	2020	2019
Endowed scholarships	**$ 8,009,347**	$ 7,152,912
Other endowments	**2,646,576**	2,612,611
	$ 10,655,923	$ 9,765,523

14. Investment in capital assets

	2020	2019
Capital assets	**$ 34,462,259**	$ 35,255,539
Amounts financed by:		
Loans and borrowings	**(18,281,774)**	(17,576,149)
Annuity contracts	**(1,055,833)**	(1,086,833)
Deferred capital contributions	**(15,076,866)**	(15,345,494)
	$ 47,786	$ 1,247,063

a) *Change in net assets invested in capital assets resulting from deficiency of revenue over expenses for the years ended April 30:*

	2020	2019
Interest	**$ (802,847)**	$ (825,188)
Annuity payments	**(53,312)**	(130,241)
Amortization of capital assets	**(1,512,160)**	(1,562,082)
Amortization of deferred capital contributions	**598,149**	601,757
Change in fair value of interest rate swap	**(1,218,018)**	(549,327)
	$ (2,988,188)	$ (2,465,081)

b) Net investment in capital assets for the years ended April 30:

		2020		2019
Capital expenditures	**$**	**718,879**	$	379,125
Payments of principal and interest on loans and borrowings		**1,346,240**		1,330,494
Annuity payments made		**53,312**		130,241
Financing provided by capital contributions received		**(329,520)**		(45,381)
	$	**1,788,911**	$	1,794,479

15. Related party transactions

During the year ended April 30, 2020, Ambrose received contributions of $1,625,000 (2019 – $1,300,000) 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.

16. Sales, rent and ancillary revenue, net

		2020		2019
Revenue				
Sales	**$**	**895,936**	$	1,093,726
Rental		**777,377**		986,696
Events		**163,205**		156,702
		1,836,518		2,237,124
Expenses				
Cost of goods sold		**539,118**		614,068
Contract services		**430,325**		473,962
Other		**168,328**		151,913
		1,137,771		1,239,943
Sales, rent and ancillary revenue, net	**$**	**698,747**	$	997,181

17. 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. Operating and cash flow losses and the events described in notes 2 and 3(a) have increased liquidity risk exposure during the year.

b) Credit risk:

Credit risk is the risk that a counter-party will default on its contractual obligations resulting in a financial loss to Ambrose. Credit risk arises principally from Ambrose's cash deposits, and receivables from students and third parties. 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. The events described in note 3(a) have increased 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 forward 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.

18. Commitments

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

Years ending April 30	Amount
2021	$ 78,000
2022	78,000
2023	16,000

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:

	2020	**2019**
Donations	**$ 2,075,907**	$ 2,031,799
Total direct expenses incurred for soliciting contributions	**116,074**	611,522
Remuneration to employees whose principal duties involved fundraising	**240,201**	424,057