



AMBROSE UNIVERSITY

Financial Statements

April 30, 2018



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Independent Auditors' Report

To the Board of Governors of Ambrose University

We have audited the accompanying financial statements of Ambrose University, which comprise the statement of financial position as at April 30, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ambrose University as at April 30, 2018, 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.

Emphasis of Matter

Without modifying our opinion, 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 generating sufficient cash flows from operations, servicing its existing debt obligations, the continued support of its current lenders, and access to new sources of financing. These conditions, along with other matters as set forth in note 2 in the financial statements, indicate the existence of a material uncertainty that casts significant doubt about Ambrose University's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

September 19, 2018

Calgary, Canada

Ambrose University
Statement of Financial Position
As at April 30, 2018

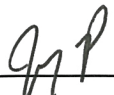
	2018	2017
Assets		
Current assets		
Cash	\$ 362,763	\$ 1,541,751
Accounts receivable (note 4)	303,257	320,575
Inventory	304,161	204,165
Prepaid expenses	431,335	249,030
Total current assets	1,401,516	2,315,521
Non-current assets		
Investments (note 5)	9,031,077	8,353,642
Capital assets (note 6)	36,438,496	37,784,934
	\$ 46,871,089	\$ 48,454,097
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 1,219,102	\$ 1,090,477
Student deposits and deferred contributions	1,847,790	1,602,033
Current portion of loans and borrowings (note 8)	16,948,154	18,990,528
Total current liabilities	20,015,046	21,683,038
Non-current liabilities		
Loans and borrowings (note 8)	614,718	655,718
Deferred contributions		
Annuity contracts (note 9)	4,745,932	5,493,932
Deferred capital contributions (note 10)	13,566,870	14,065,364
	18,312,802	19,559,296
Net Assets		
Accumulated operating deficit	(3,170,748)	(2,654,112)
Externally restricted (note 11)	9,181,606	8,514,161
Invested in capital assets (note 12)	1,917,665	695,996
	7,928,523	6,556,045
	\$ 46,871,089	\$ 48,454,097

Going concern assumption (note 2)

Subsequent events (note 8)

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, 2018

	2018	2017
Revenue		
Tuition and student fees	\$ 8,753,513	\$ 8,407,181
Donations and constituent support (note 14)	3,041,259	3,299,467
Government grants	2,866,462	2,864,003
Sales, rent and ancillary, net (note 13)	1,096,400	981,587
Endowment and other	749,790	503,869
	16,507,424	16,056,107
Expenses		
Employee compensation, benefits and other	10,857,204	10,118,877
Operating supplies	1,626,725	1,313,693
Scholarships and bursaries	968,757	1,012,505
Interest	846,644	866,704
Communications, advertising and events	693,863	680,550
Facilities	690,089	628,844
Travel and hospitality	374,383	381,492
Annuity payments (notes 8 and 9)	319,640	369,165
Professional fees	359,145	240,380
Other	128,817	22,832
	16,865,267	15,635,042
Surplus (deficiency) of revenue over expenses before the following	(357,843)	421,065
Amortization of capital assets	(1,631,167)	(1,673,356)
Amortization of deferred capital contributions (note 10)	567,359	549,831
Gain on annuity contract maturities (note 9)	611,500	37,000
Change in fair value of interest rate swap (note 8)	1,515,184	335,234
Surplus (deficiency) of revenue over expenses	\$ 705,033	\$ (330,226)

The accompanying notes are an integral part of these financial statements

Ambrose University
Statement of Cash Flows
Year ended April 30, 2018

	2018	2017
Cash flow from operating activities:		
Cash received for tuition and student fees	\$ 8,853,743	\$ 7,894,346
Cash received from donors and constituents	2,993,565	3,639,574
Government funding received	3,087,355	2,773,872
Cash received from customers, tenants and others	3,170,139	3,035,957
Cash paid to and on behalf of employees, suppliers and annuitants	(17,763,105)	(15,564,888)
Interest received	11,261	11,956
Interest paid	(772,549)	(795,667)
Net cash flow from operating activities	(419,591)	995,150
Cash flow from financing activities:		
Capital contributions received	68,865	98,140
Restricted contributions received	316,972	307,308
Cash received from annuitants	13,500	-
Repayment of loans and borrowings	(678,785)	(584,680)
Advances of loans and borrowings	36,500	4,200
Net cash flow from financing activities	(242,948)	(175,032)
Cash flow from investing activities:		
Capital expenditures	(284,730)	(254,397)
Net change in investments	(231,719)	(400,201)
Net cash flow from investing activities	(516,449)	(654,598)
Increase (decrease) in cash	(1,178,988)	165,520
Cash, beginning of year	1,541,751	1,376,231
Cash, end of year	\$ 362,763	\$ 1,541,751

The accompanying notes are an integral part of these financial statements

Ambrose University
Statement of Changes in Net Assets

	Year ended April 30, 2018			
	Accumulated operating deficit	Externally restricted	Invested in capital assets	Total
Balance, May 1, 2017	\$ (2,654,112)	\$ 8,514,161	\$ 695,996	\$ 6,556,045
Surplus (deficiency) of revenue over expenses	1,355,794	-	(650,761)	705,033
Direct changes in net assets:				
Restricted contributions received <i>(note 14)</i>	-	650,762	-	650,762
Gain on annuity contract maturities <i>(note 9)</i>	-	150,000	-	150,000
Net investment income	-	526,280	-	526,280
Change in fair market value of investments	-	(185,892)	-	(185,892)
Endowment distributions	-	(473,705)	-	(473,705)
Transfers of net assets:				
Net change in investment in capital assets <i>(note 12)</i>	(1,872,430)	-	1,872,430	-
Balance, April 30, 2018	\$ (3,170,748)	\$ 9,181,606	\$ 1,917,665	\$ 7,928,523

	Year ended April 30, 2017			
	Accumulated operating deficit	Externally restricted	Invested in capital assets	Total
Balance, May 1, 2016	\$ (2,291,135)	\$ 7,621,326	\$ 663,245	\$ 5,993,436
Surplus (deficiency) of revenue over expenses	1,580,069	-	(1,910,295)	(330,226)
Direct changes in net assets:				
Restricted contributions received	-	447,232	-	447,232
Net investment income	-	353,660	-	353,660
Change in fair market value of investments	-	595,928	-	595,928
Endowment distributions	-	(503,985)	-	(503,985)
Transfers of net assets:				
Net change in investment in capital assets <i>(note 12)</i>	(1,943,046)	-	1,943,046	-
Balance, April 30, 2017	\$ (2,654,112)	\$ 8,514,161	\$ 695,996	\$ 6,556,045

The accompanying notes are an integral part of these financial statements

Ambrose University

Notes to the Financial Statements

Year ended April 30, 2018

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, 2018, Ambrose has insufficient working capital to continue its operations for at least 12 months from the date of issuance of the financial statements. Management is forecasting further deterioration in Ambrose’s financial condition over this same time period. Management has identified land that Ambrose does not require for the anticipated future expansion of the campus, and has begun the steps necessary to realize proceeds from the sale of this land. Proceeds from any land sale are not anticipated prior to Ambrose’s 2019-2020 fiscal year. As a result Ambrose is pursuing additional borrowing arrangements to meet its short-term cash flow needs.

Ambrose has operated outside of compliance with a debt covenant requiring a minimum debt service coverage ratio for the 2015 through 2018 fiscal years (note 8). Non-compliance with the covenant gives the lender the right to demand immediate repayment of the outstanding term loan balance. As a result of anticipated future non-compliance with the covenant, the bank financing scheduled to be repaid to 2038 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 8). 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 lenders, and access to new sources of financing.

As a result of the foregoing there is a material uncertainty that casts 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.

Ambrose University

Notes to the Financial Statements

Year ended April 30, 2018

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.

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.

Ambrose University
Notes to the Financial Statements
Year ended April 30, 2018

c. Cash and cash equivalents

Cash and cash equivalents include bank deposits.

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.

Ambrose University
Notes to the Financial Statements
Year ended April 30, 2018

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.

4. Accounts receivable

Accounts receivable at April 30 is comprised of the following:

	2018	2017
Student accounts receivable	\$ 136,626	\$ 84,763
Trade and other receivables	141,217	114,619
Government receivables	-	101,893
Goods and Services Tax recoverable	25,414	19,300
	\$ 303,257	\$ 320,575

5. Investments

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

The carrying amount of investments at April 30 is as follows:

	2018	2017
Investments at cost	\$ 8,405,834	\$ 7,542,507
Unrealized gains	625,243	811,135
	\$ 9,031,077	\$ 8,353,642

6. Capital assets

The net carrying amount of capital assets at April 30 is as follows:

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,493,741	\$ -	\$ 3,493,741	\$ 3,493,741
Buildings	42,746,246	10,787,383	31,958,863	33,152,826
Library materials	3,387,608	2,753,909	633,699	759,558
Equipment and computers	1,593,331	1,374,707	218,624	287,313
Land improvements	1,236,515	1,227,752	8,763	11,267
Furnishings	1,053,696	946,890	106,806	62,229
Mineral rights	18,000	-	18,000	18,000
	\$ 53,529,137	\$ 17,090,641	\$ 36,438,496	\$ 37,784,934

Ambrose University
Notes to the Financial Statements
Year ended April 30, 2018

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at April 30 is comprised of the following:

	2018	2017
Trade accounts payable	\$ 1,033,140	\$ 912,635
Government payroll remittances payable	143,626	123,197
Accrued annuity payments	42,336	54,645
	\$ 1,219,102	\$ 1,090,477

8. Loans and borrowings

Loans and borrowings at April 30 is comprised of the following:

	<i>Note</i>	2018	2017
Current liabilities			
Constituent loans	<i>a)</i>	\$ 74,867	\$ 123,150
Bank financing	<i>b)</i>	16,873,287	18,859,320
Current portion of annuity contracts		-	8,058
		16,948,154	18,990,528
Non-current liabilities			
Annuity contracts	<i>d)</i>	614,718	655,718
		\$ 17,562,872	\$ 19,646,246

a) 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 3.5%. The effective annual rate of interest at April 30, 2018 is 2.5%.

b) Bank financing

	2018	2017
Bank term loan, with monthly payments of \$109,600 to August 2038, bearing interest at 4.24% per annum until August 2028	\$ 17,909,616	\$ 18,453,843
Deferred financing costs, net of accumulated amortization	(2,414,717)	(2,488,095)
Fair value of interest rate swap	1,378,388	2,893,572
	\$ 16,873,287	\$ 18,859,320

Deferred financing costs are amortized over the repayment term of the bank term loan and \$73,000 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 of \$35.5 million and a General Security Agreement over net assets.

Ambrose University
Notes to the Financial Statements
Year ended April 30, 2018

Annual scheduled repayment of the bank term loan is as follows:

Years ending April 30	Amount
2019	\$ 568,000
2020	592,000
2021	618,000
2022	644,000
2023	672,000
Thereafter	14,815,616
	\$ 17,909,616

c) 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, 2018. As a result of the non-compliance the bank has the contractual right to demand repayment of the term loan and settlement of the interest rate swap and accordingly the bank financing is reported as a current liability.

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 over the time period stipulated in the annuity contract. 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, 2018 is 5.2%. Scheduled annual annuity payments at April 30, 2018, assuming no annuity contracts mature, total \$32,000.

	2018	2017
Annuity contracts not yet matured	\$ 614,718	\$ 655,718
Matured annuity contracts	-	8,058
	614,718	663,776
Current portion of matured annuity contracts	-	(8,058)
	\$ 614,718	\$ 655,718

e) Available borrowing and subsequent event

Ambrose has entered into an agreement with an affiliated party, under which Ambrose will borrow and subsequently repay \$1.5 million over the period of May through September 2018 to fund short term cash deficiencies. Loan advances bear interest at bank prime rate plus 0.5%. Loan advances are secured by land and buildings with a carrying amount of \$34.1 million at April 30, 2018. Subsequent to April 30, 2018, Ambrose received these advances.

Ambrose has a \$0.5 million 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%. This facility was unutilized at April 30, 2018. Subsequent to April 30, 2018, Ambrose utilized advances on this line of credit to fund operating activities.

Ambrose University
Notes to the Financial Statements
Year ended April 30, 2018

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 13.0% per annum. The weighted-average annuity payment rate at April 30, 2018 is 6.3%. Scheduled annual annuity payments at April 30, 2018, assuming no annuity contracts mature, total \$279,000.

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

	2018	2017
Balance, beginning of year	\$ 5,493,932	\$ 5,355,099
New annuity contracts	13,500	-
Annuity contract amendments	-	175,833
Matured annuity contracts recognized as:		
Gain on annuity contract maturities	(611,500)	(37,000)
Externally restricted net assets - scholarships	(150,000)	-
Balance, end of year	\$ 4,745,932	\$ 5,493,932

b) *Annuity contract maturity*

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

	2018	2017
Gain on annuity contract maturities	\$ 1,220,649	\$ 1,832,149
Deferred capital contributions	3,421,833	3,421,833
Externally restricted net assets - scholarships	103,450	239,950
	\$ 4,745,932	\$ 5,493,932

c) *Annuity contract amendments*

During the year ended April 30, 2017, an annuitant and Ambrose agreed to amend certain existing annuity contracts, altering the beneficiary of the residual annuity amount from third parties to Ambrose. As a result these annuity contract amounts were reclassified from loans and borrowings to annuity contracts.

10. Deferred capital contributions

Deferred capital contributions represent restricted funds received and designated to be used for capital purposes. Changes in deferred capital contributions for the years ended April 30 comprise the following:

	2018	2017
Balance, beginning of year	\$ 14,065,364	\$ 14,517,055
Capital contributions received	68,865	98,140
Amortization of deferred capital contributions recognized	(567,359)	(549,831)
Balance, end of year	\$ 13,566,870	\$ 14,065,364

Ambrose University
Notes to the Financial Statements
Year ended April 30, 2018

11. Externally restricted net assets

Externally restricted net assets at April 30 comprise the following:

	2018	2017
Endowed scholarships	\$ 6,743,572	\$ 6,421,111
Other endowments	2,438,034	2,093,050
	\$ 9,181,606	\$ 8,514,161

12. Investment in capital assets

Net assets invested in capital assets at April 30 comprise the following:

	2018	2017
Capital assets	\$ 36,438,496	\$ 37,784,934
Amounts financed by:		
Loans and borrowings	(17,532,128)	(19,601,741)
Annuity contracts	(3,421,833)	(3,421,833)
Deferred capital contributions	(13,566,870)	(14,065,364)
	\$ 1,917,665	\$ 695,996

Net change in investment in capital assets for the years ended April 30 comprises:

	2018	2017
Capital expenditures	\$ 284,730	\$ 254,397
Payments of principal and interest on loans and borrowings	1,436,852	1,354,743
Advances of loans and borrowings	(36,500)	-
Annuity payments made	256,213	256,213
Annuity contract amendments	-	175,833
Financing provided by capital contributions received	(68,865)	(98,140)
	\$ 1,872,430	\$ 1,943,046

13. Sales, rent and ancillary revenue, net

Sales, rent and ancillary net revenue for the years ended April 30 is comprised of the following:

	2018	2017
Revenue		
Sales	\$ 1,246,952	\$ 1,320,279
Rental	1,060,009	1,060,349
Events	180,795	130,919
	2,487,756	2,511,547
Expenses		
Cost of goods sold	631,220	679,391
Contract services	585,013	667,928
Other	175,123	182,641
	1,391,356	1,529,960
Sales, rent and ancillary revenue, net	\$ 1,096,400	\$ 981,587

Ambrose University

Notes to the Financial Statements

Year ended April 30, 2018

14. Related party transactions

During the year ended April 30, 2018, Ambrose received contributions of \$1.4 million 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. In addition, Ambrose received \$0.4 million of restricted endowment contributions from a foundation affiliated with the Church of the Nazarene in Canada. 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. 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. Liquidity risk exposure has increased in 2018 as discussed in note 2.

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. There has been no 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. 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.

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16. 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:

	2018	2017
Donations	\$ 2,093,532	\$ 2,125,835
Total direct expenses incurred for soliciting contributions	466,694	349,581
Remuneration to employees whose principal duties involved fundraising	290,094	227,706

17. Comparative figures

Certain comparative figures for the year ended April 30, 2017, have been reclassified to conform to the financial statement presentation adopted in the current year.