
MENNONITE BRETHREN BIBLICAL SEMINARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019



INDEPENDENT AUDITORS' REPORT

To the Members of Mennonite Brethren Biblical Seminary

Report on the Financial Statements

Opinion

We have audited the financial statements of Mennonite Brethren Biblical Seminary (the "Seminary"), which comprise the statement of financial position as at May 31, 2019, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Seminary as at May 31, 2019, and the results of its 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 report. We are independent of the Seminary 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 those 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 the 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 Seminary's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Seminary or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Seminary's financial reporting process.



INDEPENDENT AUDITORS' REPORT

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 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 these 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 Seminary'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 Seminary'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 Seminary 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.

We 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.

Manning Elliott LLP



INDEPENDENT AUDITORS' REPORT

Chartered Professional Accountants
Burnaby, British Columbia
October 2, 2019

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2019

| | General Fund | Restricted Fund | Endowment Fund | 2019 Total | 2018 Total |
|---|--------------|-----------------|----------------|--------------|------------|
| ASSETS | | | | | |
| CURRENT | | | | | |
| Cash and cash equivalents | \$ 54,528 | \$ 64,374 | - | \$ 118,902 | 200,932 |
| Accounts receivable (Note 7) | 59,853 | - | - | 59,853 | 123,890 |
| Interest receivable (Note 4) | - | - | - | - | 409 |
| GST recoverable | 5,036 | - | - | 5,036 | 3,272 |
| Investments (Note 3) | 357,614 | 1,052,115 | 558,480 | 1,968,209 | 1,951,257 |
| Due from The Canadian Conference of the Mennonite Brethren Church of North America (Notes 4, 7) | - | 50,429 | - | 50,429 | 49,374 |
| Due from Associated Canadian Theological Schools (Note 7) | 26,679 | - | - | 26,679 | - |
| Current portion of loans receivable (Note 5) | - | 33,856 | - | 33,856 | 39,867 |
| | 503,710 | 1,200,774 | 558,480 | 2,262,964 | 2,369,001 |
| LOANS RECEIVABLE (Note 5) | - | 111,572 | - | 111,572 | 137,801 |
| PROPERTY AND EQUIPMENT (Note 6) | 11,525 | - | - | 11,525 | 13,761 |
| | \$ 515,235 | \$ 1,312,346 | \$ 558,480 | \$ 2,386,061 | 2,520,563 |
| LIABILITIES | | | | | |
| CURRENT | | | | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 36,355 | \$ - | \$ - | \$ 36,355 | 39,886 |
| Due to Associated Canadian Theological Schools (Note 7) | - | - | - | - | 8,654 |
| | 36,355 | - | - | 36,355 | 48,540 |
| FUND BALANCES | | | | | |
| Restricted funds: | | | | | |
| Internally restricted (Note 8) | - | 1,020,732 | - | 1,020,732 | 1,044,608 |
| Externally restricted (Note 8) | - | 291,614 | - | 291,614 | 286,039 |
| Endowment fund (Note 9) | - | - | 558,480 | 558,480 | 498,480 |
| Unrestricted | 478,880 | - | - | 478,880 | 642,896 |
| | 478,880 | 1,312,346 | 558,480 | 2,349,706 | 2,472,023 |
| | \$ 515,235 | \$ 1,312,346 | \$ 558,480 | \$ 2,386,061 | 2,520,563 |

COMMITMENT (Note 10)

CONTINGENT LIABILITY (Note 11)

Approved by the Board

_____ Director

_____ Director

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019

| | General Fund | Restricted Fund | Endowment Fund | 2019 Total | 2018 Total |
|---|-----------------|--------------------|-------------------|---------------|---------------|
| REVENUE | | | | | |
| Donations: | | | | | |
| General | \$ 272,745 | \$ 57,697 | \$ 60,000 | \$ 390,442 | 383,272 |
| Congregations | 197,848 | - | - | 197,848 | 188,149 |
| Denomination support (Note 7) | 52,148 | - | - | 52,148 | 220,176 |
| Grants | - | 12,773 | - | 12,773 | - |
| MBMC Support | 41,152 | - | - | 41,152 | 37,185 |
| Programs: | | | | | |
| Associated Canadian Theological Schools (Note 7) | 245,758 | - | - | 245,758 | 264,513 |
| ACTS World Campus | 56,349 | - | - | 56,349 | - |
| Canadian Mennonite University (Note 7) | 28,476 | - | - | 28,476 | 27,793 |
| Ministry Lift | 11,222 | - | - | 11,222 | 14,894 |
| Tyndale Seminary | 8,989 | - | - | 8,989 | - |
| Other | 9,640 | - | - | 9,640 | 8,173 |
| | 924,327 | 70,470 | 60,000 | 1,054,797 | 1,144,155 |
| EXPENSES | | | | | |
| Shared Graduate Education Costs: | | | | | |
| Associated Canadian Theological Schools (Note 7) | 508,053 | - | - | 508,053 | 578,980 |
| Canadian Mennonite University (Note 7) | 131,592 | - | - | 131,592 | 127,288 |
| Tyndale Seminary | 7,084 | - | - | 7,084 | - |
| Executive administration | 166,649 | - | - | 166,649 | 198,319 |
| Advancement | 143,866 | 19,773 | - | 163,639 | 154,398 |
| ACTS World Campus | 54,983 | 45,400 | - | 100,383 | 2,688 |
| Other administrative charges | 97,854 | - | - | 97,854 | 104,684 |
| Ministry Lift | 77,005 | 800 | - | 77,805 | 77,941 |
| Student financial aid | - | 28,923 | - | 28,923 | 30,420 |
| Graduate education costs | 20,528 | - | - | 20,528 | 1,699 |
| Board related expenses | 13,537 | - | - | 13,537 | 10,849 |
| Student recruitment | - | - | - | - | 25,137 |
| Distance education | - | - | - | - | 4,040 |
| | 1,221,151 | 94,896 | - | 1,316,047 | 1,316,443 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS | | | | | |
| | (296,824) | (24,426) | 60,000 | (261,250) | (172,288) |
| OTHER INCOME | | | | | |
| Investment income | 38,722 | 65,896 | - | 104,618 | 73,793 |
| Change in market value of investments | 20,071 | 90,393 | - | 110,464 | 19,550 |
| Foreign exchange gain (loss) | (13,836) | (62,313) | - | (76,149) | (41,792) |
| | 44,957 | 93,976 | - | 138,933 | 51,551 |
| NET REVENUE (EXPENSES) FOR THE YEAR | (251,867) | 69,550 | 60,000 | (122,317) | (120,737) |
| FUND BALANCES, BEGINNING OF YEAR | 642,896 | 1,330,647 | 498,480 | 2,472,023 | 2,592,760 |
| INTERFUND TRANSFER | 87,851 | (87,851) | - | - | - |
| FUND BALANCES, END OF YEAR | \$ 478,880 | \$ 1,312,346 | \$ 558,480 | \$ 2,349,706 | 2,472,023 |

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2019

| | General Fund | Restricted Fund | Endowment Fund | 2019 Total | 2018 Total |
|---|-----------------|--------------------|-------------------|---------------|---------------|
| OPERATING ACTIVITIES | | | | | |
| Net revenue (expenses) for the year | \$ (251,867)\$ | 69,550 \$ | 60,000 \$ | (122,317)\$ | (120,737) |
| Items not involving cash: | | | | | |
| - Amortization | 2,236 | - | - | 2,236 | 2,236 |
| - Change in fair value of investments | (20,071) | (90,393) | - | (110,464) | (19,550) |
| Foreign exchange loss | 13,836 | 62,313 | - | 76,149 | 41,792 |
| | (255,866) | 41,470 | 60,000 | (154,396) | (96,259) |
| Changes in non-cash working capital | 59,151 | - | - | 59,151 | 12,071 |
| | (196,715) | 41,470 | 60,000 | (95,245) | (84,188) |
| INVESTING ACTIVITIES | | | | | |
| Loans receivable | - | 32,240 | - | 32,240 | 52,422 |
| Net change in investments Due from The Canadian Conference of the Mennonite Brethren Church of North America | 127,101 | (49,738) | (60,000) | 17,363 | (66,345) |
| | - | (1,055) | - | (1,055) | 112,646 |
| | 127,101 | (18,553) | (60,000) | 48,548 | 98,723 |
| FINANCING ACTIVITIES | | | | | |
| Interfund transfer Due to Associated Canadian Theological Schools | 87,851 | (87,851) | - | - | - |
| | (35,333) | - | - | (35,333) | 23,116 |
| | 52,518 | (87,851) | - | (35,333) | 23,116 |
| CHANGE IN CASH | (17,096) | (64,934) | - | (82,030) | 37,651 |
| CASH AND CASH EQUIVALENTS, | | | | | |
| BEGINNING OF YEAR | 71,624 | 129,308 | - | 200,932 | 163,281 |
| CASH AND CASH EQUIVALENTS, | | | | | |
| END OF YEAR | \$ 54,528 \$ | 64,374 \$ | - \$ | 118,902 \$ | 200,932 |

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

1. OPERATIONS

Mennonite Brethren Biblical Seminary (MB Seminary) is a graduate theological school of The Canadian Conference of the Mennonite Brethren Church of North America (CCMBC).

The Seminary was incorporated under the authority of the Mennonite Brethren Biblical Seminary Act of the Province of B.C.

MB Seminary participates as a partner in a society of four members known as the Associated Canadian Theological Schools Society (ACTS) on the campus of Trinity Western University (TWU). The four members of ACTS are MB Seminary, Northwest Baptist Seminary, Canadian Baptist Seminary and TWU.

The consortium is accredited by the Association of Theological Schools and offers one diploma program, seven masters degree programs and a doctor of ministry program, all in theological studies. These programs are designed to provide personal and spiritual enrichment that equip people for professional Christian service and enable research in biblical and theological studies.

The Seminary is affiliated with the Canadian Mennonite University (CMU) in Winnipeg, Manitoba. It offers two masters degree programs in theological studies and Christian ministry through the Graduate School of Theology and Ministry at CMU. The Seminary is also affiliated with Tyndale Seminary in Toronto, Ontario, and offers individual graduate courses that reflect Evangelical-Anabaptist values.

The Seminary is a registered charity under the Income Tax Act of Canada and is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

(a) Fund accounting

The Seminary follows the restricted fund method of accounting for donations.

The General Fund accounts for the Seminary's general and administrative activities and reports unrestricted funds.

The Restricted Fund reports restricted assets and restricted fund balances.

The Endowment Fund reports the endowments of the Seminary.

(b) Revenue recognition

Donations, grants, MBMC support, and programs income are recognized as revenue when the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment and other income is recognized as earned.

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MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and guaranteed investment certificates with maturity dates of less than 90 days from the date that they were acquired.

(d) Financial instruments

(i) Measurement

The Seminary initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs attributable to the instrument.

The Seminary subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable, interest receivable, fixed income investments, amounts due from The Canadian Conference of the Mennonite Brethren Church of North America, amounts due from Associated Canadian Theological Schools and loans receivable.

Financial assets measured at fair value include equity investments.

Financial liabilities measured at amortized cost include accounts payable.

(ii) Transaction costs

Transaction costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with financial instruments measured at amortized cost are capitalized and are included in the acquisition cost or deducted against proceeds on disposal.

(iii) Impairment

When there is an indication of an impairment in value and the impairment is determined to have occurred, the carrying amount of a financial asset measured at amortized cost is reduced to the greater of the discounted future expected cash flow or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value of the financial asset subsequently improves. Impairment adjustments are recognized in net revenue.

(e) Property and equipment

Property and equipment are recorded at historical cost and amortization has been provided on a straight-line basis as follows:

| | |
|-------------------------|----------|
| Furniture and equipment | 10 years |
| Leasehold improvements | 10 years |

(continues)

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign currency transactions

The Seminary uses the temporal method to translate its foreign currency transactions. Under this method, monetary statement of financial position items are translated at the exchange rates in effect at year-end and non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at the exchange rates in effect on the transaction dates or at the average exchange rates of the period. Translation gains or losses are included in the statement of operations.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for an allowance for doubtful loans receivable, a discount rate for interest free loans receivable, amortization of property and equipment and accrued liabilities. Actual results could differ from these estimates.

(h) Contributed services

Volunteers contribute hundreds of hours per year to assist the Seminary in carrying out its various activities. Due to the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

3. INVESTMENTS

| | 2019 | 2018 |
|--------------------------|---------------------|---------------------|
| General Fund | | |
| Equity investments | \$ 357,614 | \$ 478,480 |
| Restricted Fund | | |
| Fixed income investments | 367,211 | 344,917 |
| Equity investments | 684,904 | 629,380 |
| | 1,052,115 | 974,297 |
| Endowment Fund | | |
| Fixed income investments | 277,018 | 240,327 |
| Equity investments | 281,462 | 258,153 |
| | 558,480 | 498,480 |
| | \$ 1,968,209 | \$ 1,951,257 |

Fixed income investments are comprised of corporate bonds and bank notes bearing interest between 1.25% and 5.05% per annum, due between November 2019 and November 2027.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

4. DUE FROM THE CANADIAN CONFERENCE OF THE MENNONITE BRETHREN CHURCH OF NORTH AMERICA

Amounts due from The Canadian Conference of the Mennonite Brethren Church of North America bear interest at 2.50% per annum. Interest is payable semi-annually and the investments are redeemable at any time without penalty.

5. LOANS RECEIVABLE

| | 2019 | 2018 |
|---------------------------------|-------------------|------------|
| Loans: | | |
| - Interest free | \$ 220,389 | \$ 227,771 |
| - 3.00% to 6.00% per annum | 14,593 | 33,674 |
| | 234,982 | 261,445 |
| Allowance for doubtful accounts | (89,554) | (83,777) |
| | 145,428 | 177,668 |
| Current portion | (33,856) | (39,867) |
| | \$ 111,572 | \$ 137,801 |

The loans receivable are from Canadian and American students who were enrolled prior to 2011 in the Fresno Pacific Biblical Seminary (formerly the Fresno campus of the Mennonite Brethren Biblical Seminary Inc.) graduate program. Student loan repayments begin six months after graduation or upon termination of their student status.

Students have one to ten years to repay these loans based on the individual loan amounts. The loans made to students who belong to the Mennonite Brethren denomination are interest free, while other student loans bear interest between 3.00% and 6.00% per annum. The interest free loans have been discounted using a 2.00% interest rate.

There have been no new loans issued since 2011.

6. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|-------------------------|------------------|-----------------------------|---------------------------|---------------------------|
| Furniture and equipment | \$ 5,403 | \$ 4,052 | \$ 1,351 | \$ 1,891 |
| Leasehold improvements | 16,957 | 6,783 | 10,174 | 11,870 |
| | \$ 22,360 | \$ 10,835 | \$ 11,525 | \$ 13,761 |

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

7. RELATED PARTY TRANSACTIONS

The Seminary is related to the Associated Canadian Theological Schools through its membership in ACTS. The Seminary is also related to the Canadian Mennonite University (CMU) through an affiliation agreement. Lastly, the Seminary is related to The Canadian Conference of the Mennonite Brethren Church of North America (CCMBC) through the CCMBC's right to appoint a majority of the Seminary's board of directors.

Unless otherwise stated, the advances and loans with these related organizations are unsecured, without interest and are due on demand.

As at May 31, 2019, the Seminary had the following balances and during the year engaged in the following transactions with these related parties. These transactions were made in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed upon by the related parties.

| | 2019 | 2018 |
|--|-------------|-------------|
| Associated Canadian Theological Schools | | |
| Accounts receivable | \$ 18,059 | \$ 52,297 |
| Due from (to) Associated Canadian Theological Schools | 26,679 | (8,654) |
| Other revenue | 245,758 | 264,513 |
| Shared costs | 623,707 | 570,250 |
| The Canadian Conference of the Mennonite Brethren Church of North America | | |
| Due from The Canadian Conference of the Mennonite Brethren Church of North America | \$ 50,429 | \$ 49,374 |
| Denomination support | 52,148 | 216,550 |

MENNONITE BRETHERN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

8. FUND BALANCES - RESTRICTED

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Internally Restricted | | |
| Student financial aid | \$ 920,732 | \$ 944,608 |
| Student tuition protection fund (in compliance with BC Ministry of Advanced Education tuition protection requirements) | 100,000 | 100,000 |
| | \$ 1,020,732 | \$ 1,044,608 |
| Externally Restricted | | |
| Theological Education | \$ 191,444 | \$ 191,444 |
| International Pastoral Leadership | 50,021 | 49,374 |
| Scholarships | 48,269 | 45,221 |
| Benevolence | 1,880 | - |
| | \$ 291,614 | \$ 286,039 |

9. FUND BALANCES - ENDOWMENT

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Endowment Fund balances are restricted as follows: | | |
| a) John and Kathryn Froese – The investment income shall be used to honour outstanding communicators of the Gospel at Mennonite Brethren Biblical Seminary. | \$ 44,832 | \$ 44,832 |
| b) Nathan Paul Toews Fund – The investment income shall be used for student scholarships for those preparing for a career in the Christian ministry through the Mennonite Brethren denomination. | 53,510 | 53,510 |
| c) Rueben and Emma Baerg Estate – The investment income shall be used for the development and ministry of the Seminary. | 51,454 | 51,454 |
| d) Student Aid –The Seminary has received endowments to be used for student aid from the following donors: Cornelius J. Martens, Jacob D. Friesen, J. A. Toews, Sam and Elizabeth Willems, J. J. Toews, J. J. and Lena Toews, Peter and Mina Pauls, Laurence and Leona Hiebert. | 348,684 | 348,684 |
| e) Helen Toews - The investment income shall be used for student scholarships for those preparing for Christian service in cross cultural settings. | 60,000 | - |
| | \$ 558,480 | \$ 498,480 |

10. COMMITMENT

The Seminary is committed to provide eighteen months written notice to ACTS in the event the Seminary decides to withdraw from the consortium.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

11. CONTINGENT LIABILITY

The Seminary guaranteed a one-third portion of a \$300,000 line of credit for the Associated Canadian Theological Schools Society. As at May 31, 2019 the balance drawn on this line of credit was \$Nil (2018 - \$Nil).

12. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Seminary is exposed to various risks through its financial instruments. The following provides a measure of the Seminary's risk exposure as at May 31, 2019.

There has been no significant change to the risk exposure from the previous year.

Liquidity risk:

Liquidity risk is the risk that the Seminary will encounter difficulty in meeting obligations associated with liabilities. The Seminary's ability to meet obligations depends on the receipt of donations, the collection of its accounts receivable and loans receivable and the liquidity of its investments. The Seminary controls liquidity risk by managing its working capital and cash flows.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Seminary's main credit risk relates to its loans receivable. The Seminary maintains, if deemed necessary, provision for potential credit losses, and any such losses to date have been within management's expectations.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Consequently, certain assets and liabilities are subject to foreign exchange fluctuations.

As at May 31, 2019, the Seminary has cash and cash equivalents of \$63,263 (2018 – \$76,300), loans receivable of \$95,965 (2018 – \$122,814) and equity investments of \$753,935 (2018 – \$737,358) that are denominated in \$US currency, resulting in currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Seminary is exposed to interest rate risk on its fixed income investments, amounts due from The Canadian Conference of the Mennonite Brethren Church of North America, amounts due from Associated Canadian Theological Schools and loans receivable.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Seminary is exposed to other price risk through its equity investments.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

13. ALLOCATION OF EXPENSES

The Seminary allocates costs, not directly attributable to a program, based on the time spent.

14. COMPARATIVE FIGURES

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

MENNONITE BRETHREN BIBLICAL SEMINARY
SCHEDULE OF EXPENSES BY CATEGORY
FOR THE YEAR ENDED MAY 31, 2019

(Schedule 1)

| | General Fund | Restricted Fund | Endowment Fund | 2019 Total | 2018 Total |
|--|-----------------|--------------------|-------------------|---------------|---------------|
| EXPENSES | | | | | |
| Salaries and benefits | \$ 893,147 | \$ 29,137 | \$ - | \$ 922,284 | \$ 901,633 |
| Shared costs of Associated Canadian Theological Schools | 170,107 | - | - | 170,107 | 224,517 |
| Advertising and promotion | 42,835 | 19,773 | - | 62,608 | 44,795 |
| Travel | 33,842 | - | - | 33,842 | 35,801 |
| Professional fees | 32,056 | - | - | 32,056 | 23,870 |
| Student financial aid | - | 28,923 | - | 28,923 | 30,420 |
| Investment management fees | 21,723 | - | - | 21,723 | 26,604 |
| Course development | - | 17,063 | - | 17,063 | - |
| Office supplies | 7,810 | - | - | 7,810 | 6,580 |
| Insurance | 4,270 | - | - | 4,270 | 2,624 |
| Miscellaneous | 4,237 | - | - | 4,237 | 7,971 |
| Office furniture and equipment | 3,891 | - | - | 3,891 | 5,721 |
| Professional development | 3,447 | - | - | 3,447 | 2,364 |
| Amortization | 2,236 | - | - | 2,236 | 2,236 |
| Interest and bank charges | 1,550 | - | - | 1,550 | 1,307 |
| EXPENSES total | \$ 1,221,151 | \$ 94,896 | \$ - | \$ 1,316,047 | \$ 1,316,443 |