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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of Mennonite Brethren Biblical Seminary

### 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, 2020, 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, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### 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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 related 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.

### 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 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.

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## INDEPENDENT AUDITORS' REPORT

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- 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 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 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*

Chartered Professional Accountants  
Vancouver, British Columbia  
November 13, 2020

**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MAY 31, 2020**

	General Fund	Restricted Fund	Endowment Fund	2020 Total	2019 Total
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash and cash equivalents	\$ 216,503	43,434	\$ -	\$ 259,937	\$ 118,902
Accounts receivable (Note 7)	38,655	-	-	38,655	59,853
Interest receivable (Note 4)	624	-	-	624	-
GST recoverable	4,248	-	-	4,248	5,036
Investments (Note 3)	318,325	1,162,861	498,480	1,979,666	1,968,209
Due from The Canadian Conference of the Mennonite Brethren Church of North America (Notes 4 & 7)	-	51,800	-	51,800	50,429
Due from Associated Canadian Theological Schools (Note 7)	14,462	-	-	14,462	26,679
Current portion of loans receivable (Note 5)	-	25,310	-	25,310	33,856
	592,817	1,283,405	498,480	2,374,702	2,262,964
LOAN RECEIVABLE (Note 5)	-	60,810	-	60,810	111,572
PROPERTY AND EQUIPMENT (Note 6)	9,289	-	-	9,289	11,525
	\$ 602,106	1,344,215	\$ 498,480	\$ 2,444,801	\$ 2,386,061
<b>LIABILITIES</b>					
<b>CURRENT</b>					
Accounts payable and accrued liabilities	\$ 30,990	60,000	\$ -	\$ 90,990	\$ 36,355
<b>FUND BALANCES</b>					
Restricted funds:					
Internally restricted (Note 8)	-	989,052	-	989,052	1,020,732
Externally restricted (Note 8)	-	295,163	-	295,163	291,614
Endowment fund (Note 9)	-	-	498,480	498,480	558,480
Unrestricted	571,116	-	-	571,116	478,880
	571,116	1,284,215	498,480	2,353,811	2,349,706
	\$ 602,106	1,344,215	\$ 498,480	\$ 2,444,801	\$ 2,386,061

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, 2020**

	General Fund	Restricted Fund	Endowment Fund	2020 Total	2019 Total
<b>REVENUE</b>					
Donations:					
General	\$ 596,834	\$ 2,160	\$ -	\$ 598,994	\$ 390,442
Congregations	231,245	-	-	231,245	197,848
Denomination support (Note 7)	105,000	-	-	105,000	52,148
Grants	-	-	-	-	12,773
MBMC Support	42,479	-	-	42,479	41,152
Programs:					
Associated Canadian Theological Schools (Note 7)	221,071	-	-	221,071	245,758
ACTS World Campus	214,295	-	-	214,295	56,349
Canadian Mennonite University (Note 7)	39,888	-	-	39,888	28,476
Horizon	3,448	-	-	3,448	-
Ministry Lift	1,466	-	-	1,466	11,222
Tyndale Tuition	-	-	-	-	8,989
Other	15,253	-	-	15,253	9,640
	1,470,979	2,160	-	1,473,139	1,054,797
<b>EXPENSES</b>					
Shared Graduate Education Costs:					
Associated Canadian Theological Schools (Note 7)	488,360	-	-	488,360	475,040
Canadian Mennonite University (Note 7)	134,807	1,500	-	136,307	131,592
Horizon	4,280	-	-	4,280	-
Tyndale Seminary	-	-	-	-	7,084
Executive Administration	159,586	-	-	159,586	166,649
Advancement	166,136	-	-	166,136	163,639
ACTS World Campus	211,414	-	-	211,414	100,383
Other administrative charges	159,420	-	-	159,420	97,854
Ministry Lift	-	-	-	-	77,805
Student financial aid	-	91,934	-	91,934	28,923
Graduate education costs	20,808	-	-	20,808	20,528
Board related expenses	11,880	-	-	11,880	13,537
Student recruitment	32,995	-	-	32,995	-
Bad debts	-	27,050	-	27,050	-
Rent	33,739	-	-	33,739	33,013
	1,423,425	120,484	-	1,543,909	1,316,047
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	47,554	(118,324)	-	(70,770)	(261,250)
<b>OTHER INCOME</b>					
Investment income	27,050	23,595	-	50,645	104,618
Change in fair market value of investments	21,946	110,401	-	132,347	110,464
Loss on foreign exchange	(20,635)	(103,803)	-	(124,438)	(76,149)
Subsidies and grants	16,321	-	-	16,321	-
	44,682	30,193	-	74,875	138,933
<b>NET REVENUE (EXPENSES) FOR THE YEAR</b>	92,236	(88,131)	-	4,105	(122,317)
FUND BALANCES, BEGINNING OF YEAR	478,880	1,312,346	558,480	2,349,706	2,472,023
INTERFUND TRANSFER	-	60,000	(60,000)	-	-
<b>FUND BALANCES, END OF YEAR</b>	\$ 571,116	\$ 1,284,215	\$ 498,480	\$ 2,353,811	\$ 2,349,706

**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MAY 31, 2020**

	General Fund	Restricted Fund	Endowment Fund	2020 Total	2019 Total
<b>OPERATING ACTIVITIES</b>					
Net revenue (expenses) for the year	\$ 92,236	\$ (88,131)	\$ -	\$ 4,105	\$ (122,317)
Items not affecting cash:					
Amortization	2,236	-	-	2,236	2,236
Change in fair market value of investments	(21,946)	(110,401)	-	(132,347)	(110,464)
Loss on foreign exchange	20,635	103,803	-	124,438	76,149
	93,161	(94,729)	-	(1,568)	(154,396)
Changes in non-cash working capital	15,997	60,000	-	75,997	59,151
	109,158	(34,729)	-	74,429	(95,245)
<b>INVESTING ACTIVITIES</b>					
Loans receivable	-	59,308	-	59,308	32,240
Net change in investments	40,600	(104,148)	60,000	(3,548)	17,363
Due from The Canadian Conference of the Mennonite Brethren Church of North America	-	(1,371)	-	(1,371)	(1,055)
	40,600	(46,211)	60,000	54,389	48,548
<b>FINANCING ACTIVITIES</b>					
Interfund transfer	-	60,000	(60,000)	-	-
Due from Associated Canadian Theological Schools	12,217	-	-	12,217	(35,333)
	12,217	60,000	(60,000)	12,217	(35,333)
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	161,975	(20,940)	-	141,035	(82,030)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	54,528	64,374	-	118,902	200,932
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 216,503	\$ 43,434	\$ -	\$ 259,937	\$ 118,902

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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

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1. NATURE OF 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 Horizon Seminary in Saskatoon, Saskatchewan, 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.

During March 2020, a global health pandemic was declared due to the COVID-19 virus, which has had a significant impact on businesses and not-for-profit organizations through the restrictions put in place by the Canadian governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 health pandemic may have on the Seminary is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada to fight the virus.

The Seminary continues to monitor its operations and assess the impact COVID-19 will have on its business activities. As at May 31, 2020, the Seminary has net working capital of \$560,000 to sustain operations. Further effects of the COVID-19 health pandemic on the Seminary are indeterminable.

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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

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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.

(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.

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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(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

Effective June 1, 2019, the Seminary adopted Section 4433 'Tangible capital assets held by not-for-profit organizations', which replaces Section 4431 of the same name. The new section clarifies that not-for-profit organizations apply the requirements for componentization in Section 3061 'Property, Plant and Equipment', refines the guidance regarding the write-down of tangible capital assets and provides additional guidance on accounting for the cost of a contributed capital asset.

Under the new Section 4433, the Seminary's policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to the Seminary's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of operations and are not reversed

Adoption of the new section did not have any impact on the reported amounts of the Seminary's capital assets.

(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.

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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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, and the determination of the useful lives of assets used for computing amortization. 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

	2020	2019
<b>General Fund</b>		
Equity investments	\$ 318,325	\$ 357,614
<b>Restricted Fund</b>		
Fixed income investments	475,635	367,211
Equity investments	687,226	684,904
	<b>1,162,861</b>	1,052,115
<b>Endowment Fund</b>		
Fixed income investments	214,982	277,018
Equity investments	283,498	281,462
	<b>498,480</b>	558,480
	<b>\$ 1,979,666</b>	<b>\$ 1,968,209</b>

Fixed income investments are comprised of corporate bonds and bank notes bearing interest between 1.61% and 3.78% per annum, due between March 2021 and December 2048.

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.

**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

5. LOANS RECEIVABLE

	2020	2019
Loans:		
- Interest free	\$ 190,498	\$ 220,389
- 3.00% to 6.00% per annum	12,226	14,593
	<b>202,724</b>	234,982
Allowance for doubtful accounts	<b>(116,604)</b>	(89,554)
	<b>86,120</b>	145,428
Current portion	<b>(25,310)</b>	(33,856)
	<b>\$ 60,810</b>	\$ 111,572

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	2020 Net book value	2019 Net book value
Furniture and equipment	\$ 5,403	\$ 4,593	\$ 810	\$ 1,351
Leasehold improvements	16,957	8,478	8,479	10,174
	<b>\$ 22,360</b>	<b>\$ 13,071</b>	<b>\$ 9,289</b>	<b>\$ 11,525</b>

**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

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, 2020, 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.

	2020	2019
<b>Associated Canadian Theological Schools</b>		
Accounts receivable	\$ 400	\$ 18,059
Due from Associated Canadian Theological Schools	14,462	26,679
Other revenue	221,071	245,758
Shared graduate education costs	669,429	623,707
<b>The Canadian Conference of the Mennonite Brethren Church of North America</b>		
Due from The Canadian Conference of the Mennonite Brethren Church of North America	\$ 51,800	\$ 50,429
Denomination support	105,000	52,148
<b>The Canadian Mennonite University</b>		
Programs revenues	\$ 39,888	\$ 28,476
Shared graduate education costs	136,307	131,592

**MENNONITE BRETHERN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
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8. FUND BALANCES - RESTRICTED

	2020	2019
<b>Internally Restricted</b>		
Student financial aid	\$ 889,052	\$ 920,732
Student tuition protection fund (in compliance with BC Ministry of Advanced Education tuition protection requirements)	100,000	100,000
	<b>\$ 989,052</b>	<b>\$ 1,020,732</b>
<b>Externally Restricted</b>		
Theological Education	\$ 198,127	\$ 191,444
International Pastoral Leadership	52,017	50,021
Scholarships	43,892	48,269
Benevolence	1,127	1,880
	<b>\$ 295,163</b>	<b>\$ 291,614</b>

9. FUND BALANCES - ENDOWMENT

	2020	2019
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
	<b>\$ 498,480</b>	<b>\$ 558,480</b>

Upon the change to the will of the donor, the Helen Toews endowment was transferred to Trinity Western University during the year ended May 31, 2020.

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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

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10. COMMITMENT

The Seminary is part of the ACTS consortium from whom it also leases its office space. The Seminary is committed to provide eighteen months written notice to ACTS in the event the Seminary decides to withdraw from the consortium. Withdrawing from ACTS would also end the Seminary's lease agreement. The anticipated lease payments during the next five years are as follows:

2021	\$	35,000
2022		35,000
2023		35,000
2024		35,000
2025		35,000
		<hr/>
	\$	<u>175,000</u>

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, 2020 the balance drawn on this line of credit was \$Nil (2019 - \$Nil).

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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

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12. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Seminary is exposed to various risks through its financial instruments (Note 2 (d)) and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Seminary's risk exposure and concentration as of May 31, 2020. In management's opinion, the Seminary is not exposed to significant credit, interest, liquidity, market or other price risk, except as noted below. In addition, there has been no significant change in risk exposures from the prior year except as noted with respect to COVID-19.

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.

Although the financial impact of the COVID-19 health pandemic has been pervasive, there has been minimal liquidity risk impact to the Seminary. The Seminary has net working capital of \$2.2M which can be used to sustain operations.

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.

There is increased credit risk as a result of the COVID-19 outbreak, as explained further in Note 1, since there is risk that the Seminary may have increased bad debts on its receivables. Management has determined an appropriate allowance for doubtful accounts and anticipates that the remaining receivable balances as at May 31, 2020 are fully collectable. The maximum exposure equal to the carrying value of these financial instruments is \$124,775 (2019 - \$205,281).

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, 2020, the Seminary has cash and cash equivalents of \$75,057 (2019 – \$56,395), loans receivable of \$52,631 (2019 – \$99,873) and equity investments of \$728,491 (2019 – \$753,935) that are denominated in \$US currency, resulting in currency risk.

*(continues)*

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**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MAY 31, 2020**

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12. FINANCIAL RISKS AND CONCENTRATION OF RISK *(continued)*

(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.

13. ALLOCATION OF EXPENSES

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

14. COMPARATIVE FIGURES

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements.



**MENNONITE BRETHREN BIBLICAL SEMINARY**  
**SCHEDULE OF EXPENSES BY CATEGORY**  
**FOR THE YEAR ENDED MAY 31, 2020**

(Schedule 1)

	General Fund	Restricted Fund	Endowment Fund	2020 Total	2019 Total
<b>EXPENSES</b>					
Salaries and benefits	\$ 1,026,666	\$ 1,500	\$ -	\$ 1,028,166	\$ 922,284
Shared costs of Associated Canadian Theological Schools	156,260	-	-	156,260	137,094
Student financial aid	-	91,144	-	91,144	28,923
Professional fees	55,766	-	-	55,766	32,056
Advertising and promotion	43,550	-	-	43,550	62,608
Rental	33,739	-	-	33,739	33,013
Bad debt	-	27,050	-	27,050	-
Travel	26,529	-	-	26,529	33,842
Investment management fees	21,546	-	-	21,546	21,723
Course development	17,381	-	-	17,381	17,063
Miscellaneous	10,478	790	-	11,268	4,237
Office supplies	10,843	-	-	10,843	7,810
Professional development	5,573	-	-	5,573	3,447
Insurance	4,227	-	-	4,227	4,270
Interest and bank charges	3,412	-	-	3,412	1,550
Amortization	2,236	-	-	2,236	2,236
Office furniture and equipment	1,771	-	-	1,771	3,891
<b>TOTAL</b>	\$ 1,419,977	\$ 120,484	\$ -	\$ 1,540,461	\$ 1,316,047