
MENNONITE BRETHREN BIBLICAL SEMINARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

INDEPENDENT AUDITORS' REPORT

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, 2021, 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, 2021, 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.

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 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 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:

INDEPENDENT AUDITORS' REPORT

- 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 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 18, 2021

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2021

	General Fund	Restricted Fund	Endowment Fund	2021 Total	2020 Total
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 343,365	\$ 39,665	\$ -	\$ 383,030	\$ 259,937
Accounts receivable (Note 7)	54,566	-	-	54,566	38,655
Interest receivable (Note 4)	-	306	-	306	624
GST recoverable	1,564	-	-	1,564	4,248
Investments (Note 3)	613,319	1,226,739	498,480	2,338,538	1,979,666
Due from The Canadian Conference of the Mennonite Brethren Church of North America (Notes 4 & 7)	-	52,920	-	52,920	51,800
Due from Associated Canadian Theological Schools (Note 7)	14,462	-	-	14,462	14,462
Current portion of loans receivable (Note 5)	-	19,821	-	19,821	25,310
	1,027,276	1,339,451	498,480	2,865,207	2,374,702
LOAN RECEIVABLE (Note 5)	-	36,699	-	36,699	60,810
PROPERTY AND EQUIPMENT (Note 6)	270	-	-	270	9,289
	\$ 1,027,546	\$ 1,376,150	\$ 498,480	\$ 2,902,176	\$ 2,444,801
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 47,675	\$ -	\$ -	\$ 47,675	\$ 90,990
FUND BALANCES					
Restricted funds					
Internally restricted (Note 8)	-	1,014,389	-	1,014,389	989,052
Externally restricted (Note 8)	-	361,761	-	361,761	295,163
Endowment Fund (Note 9)	-	-	498,480	498,480	498,480
Unrestricted	979,871	-	-	979,871	571,116
	979,871	1,376,150	498,480	2,854,501	2,353,811
	\$ 1,027,546	\$ 1,376,150	\$ 498,480	\$ 2,902,176	\$ 2,444,801

COMMITMENTS (Note 10)

CONTINGENT LIABILITY (Note 11)

Approved by the Board

_____ Director

_____ Director

MENNONITE BRETHERN BIBLICAL SEMINARY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2021

	General Fund	Restricted Fund	Endowment Fund	2021 Total	2020 Total
REVENUES					
Donations					
General	\$ 569,854	\$ 487	\$ -	\$ 570,341	\$ 598,994
Congregations	250,952	-	-	250,952	231,245
Denomination support (Note 7)	99,167	-	-	99,167	105,000
MBMC Support	42,598	-	-	42,598	42,479
Programs					
Associated Canadian Theological Schools (Note 7)	229,609	-	-	229,609	221,071
ACTS World Campus	274,804	-	-	274,804	214,295
Canadian Mennonite University (Note 7)	39,066	-	-	39,066	39,888
Horizon	-	-	-	-	3,448
Continuing Education	2,000	-	-	2,000	1,466
Other	10,317	-	-	10,317	15,253
	1,518,367	487	-	1,518,854	1,473,139
EXPENSES (Schedule 1)					
Shared Graduate Education Costs					
Associated Canadian Theological Schools (Note 7)	408,405	-	-	408,405	488,360
Canadian Mennonite University (Note 7)	144,312	-	-	144,312	136,307
Horizon	-	-	-	-	4,280
ACTS World Campus	238,429	-	-	238,429	211,414
Other administrative charges	166,817	1,225	-	168,042	159,420
Executive Administration	139,672	-	-	139,672	159,586
Advancement	135,979	-	-	135,979	166,136
Rent	34,287	-	-	34,287	33,739
Student financial aid	-	20,720	-	20,720	91,934
Graduate education costs	5,424	-	-	5,424	20,808
Board related expenses	-	-	-	-	11,880
Student recruitment	-	-	-	-	32,995
Bad debts	-	-	-	-	27,050
	1,273,325	21,945	-	1,295,270	1,543,909
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	245,042	(21,458)	-	223,584	(70,770)
OTHER INCOME (EXPENSE)					
Loss on foreign exchange	2,240	(52,123)	-	(49,883)	(124,438)
Investment income	77,809	27,663	-	105,472	50,645
Change in fair market value of investments	75,718	137,853	-	213,571	132,347
Subsidies and grants	7,946	-	-	7,946	16,321
	163,713	113,393	-	277,106	74,875
NET EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	408,755	91,935	-	500,690	4,105
FUND BALANCES, BEGINNING OF YEAR	571,116	1,284,215	498,480	2,353,811	2,349,706
FUND BALANCES, END OF YEAR	\$ 979,871	\$ 1,376,150	\$ 498,480	\$ 2,854,501	\$ 2,353,811

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2021

	General Fund	Restricted Fund	Endowment Fund	2021 Total	2020 Total
OPERATING ACTIVITIES					
Net revenue over expenses for the year	\$ 408,755	\$ 91,935	\$ -	\$ 500,690	\$ 4,105
Items not affecting cash:					
Amortization of property and equipment	9,019	-	-	9,019	2,236
Change in fair market value of investments	(75,718)	(137,853)	-	(213,571)	(132,347)
Loss on foreign exchange	(2,240)	52,123	-	49,883	124,438
	339,816	6,205	-	346,021	(1,568)
Changes in non-cash working capital	1,397	(60,306)	-	(58,909)	75,997
	341,213	(54,101)	-	287,112	74,429
INVESTING ACTIVITIES					
Loans receivable	-	29,600	-	29,600	59,308
Net changes in investments	(214,351)	21,852	-	(192,499)	(3,548)
Due from The Canadian Conference of the Mennonite Brethren Church of North America	-	(1,120)	-	(1,120)	(1,371)
	(214,351)	50,332	-	(164,019)	54,389
FINANCING ACTIVITIES					
Due from Associated Canadian Theological Schools	-	-	-	-	12,217
	-	-	-	-	12,217
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR					
	126,862	(3,769)	-	123,093	141,035
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR					
	216,503	43,434	-	259,937	118,902
CASH AND CASH EQUIVALENTS, END OF YEAR					
	\$ 343,365	\$ 39,665	\$ -	\$ 383,030	\$ 259,937

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

1. NATURE OF OPERATIONS

Mennonite Brethren Biblical Seminary (the "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.

The 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 the 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 Canadian Mennonite University (CMU) in Winnipeg, Manitoba, Tyndale Seminary in Toronto, Ontario and Horizon Seminary in Saskatoon, Saskatchewan.

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

During 2020 a global pandemic was declared due to the COVID-19 virus, which has had a significant impact on economic and social activity through the restrictions put in place by various levels of government regarding travel, business operations and isolation/quarantine orders. At this time, the extent the COVID-19 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.

The Seminary continues to monitor its cash reserves and will make all necessary adjustments to maintain its financial position.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook - Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

(a) Fund accounting

The Seminary presents its financial statements using the following funds:

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

The Seminary follows the restricted fund method of accounting for contributions. Restricted and unrestricted contributions are recognized as revenue of the appropriate funds when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for which there is no corresponding restricted fund are deferred and recognized as revenue in the general fund in the year in which the related expenses are incurred, in accordance with the deferral method of accounting for contributions.

Investment and other income are recognized in the appropriate fund when 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's financial instruments consist of cash and cash equivalents, accounts receivable, interest receivable, investments, amounts due from The Canadian Conference of the Mennonite Brethren Church of North America, amounts due from Associated Canadian Theological Schools, loans receivable and accounts payable.

The Seminary initially measures all of its financial instruments at fair value. The Seminary subsequently measures all of its financial instruments 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.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

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

(ii) Transaction costs

Transaction costs that are directly attributable to the origination, issuance or assumption of a financial instrument that is subsequently measured at amortized cost are assigned to those financial instruments. All other transaction costs are recognized in the statement of operations in the period incurred.

(iii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations in the period in which it is determined.

(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

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.

(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 about future events that affect the reported amounts of assets, liabilities, revenues and expenses at the end of, or during the reporting period. Management believes that the estimates used are reasonable and prudent; however actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation accounts receivable and loans receivable, a discount rate for interest free loans receivable, the valuation of investments, the determination of useful lives of capital assets used for calculating amortization, and the amounts recorded as accrued liabilities.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

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

(h) Contributed services and materials

The Seminary benefits from contributed services in the form of volunteer time and contributed materials. Contributed services are not recognized in the financial statements. Contributed materials are recorded at the fair market value only when a realizable value of the related benefit can be reasonably estimated and the materials are used in the normal course of operations and would otherwise have been purchased.

3. INVESTMENTS

	2021	2020
General Fund		
Equity investments	\$ 613,319	\$ 318,325
Restricted Fund		
Fixed income investments	471,514	475,635
Equity investments	755,225	687,226
	1,226,739	1,162,861
Endowment Fund		
Fixed income investments	191,598	214,982
Equity investments	306,882	283,498
	498,480	498,480
	\$ 2,338,538	\$ 1,979,666

Fixed income investments are comprised of corporate bonds and bank notes bearing interest between 1.40% and 4.75% per annum, due between December 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
FOR THE YEAR ENDED MAY 31, 2021

5. LOANS RECEIVABLE

	2021	2020
Loans:		
-Interest free	\$ 159,201	\$ 190,498
-3.00% to 6.00% per annum	-	12,226
	159,201	202,724
Allowance for doubtful accounts	(102,681)	(116,604)
	56,520	86,120
Current portion	(19,821)	(25,310)
	\$ 36,699	\$ 60,810

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	2021 Net book value	2020 Net book value
Furniture and equipment	\$ 5,403	\$ 5,133	\$ 270	\$ 810
Leasehold improvements	16,957	16,957	-	8,479
	\$ 22,360	\$ 22,090	\$ 270	\$ 9,289

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

7. RELATED PARTY TRANSACTIONS

The Seminary is related to the Associated Canadian Theological Schools through its membership in ACTS and is related to the Canadian Mennonite University (CMU) through an affiliation agreement. The Seminary is also 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, 2021, 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.

	2021	2020
Associated Canadian Theological Schools		
Accounts receivable	\$ 24,476	\$ 400
Due from Associated Canadian Theological Schools	14,462	14,462
Other revenues	229,609	221,071
Shared graduate education costs	646,834	669,429
The Canadian Conference of the Mennonite Brethren Church of North America		
Due from The Canadian Conference of the Mennonite Brethren Church of North America	\$ 52,920	\$ 51,800
Denomination support	99,167	105,000
The Canadian Mennonite University		
Programs revenues	\$ 39,066	\$ 39,888
Shared graduate education costs	144,312	136,307

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.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

8. FUND BALANCES - RESTRICTED

	2021	2020
Internally Restricted		
Student financial aid	\$ 914,389	\$ 889,052
Student tuition protection fund (in compliance with BC Ministry of Advanced Education tuition protection requirements)	100,000	100,000
	\$ 1,014,389	\$ 989,052
Externally Restricted		
Theological Education	\$ 215,585	\$ 198,127
International Pastoral Leadership	52,819	52,017
Scholarships	92,123	43,892
Benevolence	1,234	1,127
	\$ 361,761	\$ 295,163

9. FUND BALANCES - ENDOWMENT

	2021	2020
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
	\$ 498,480	\$ 498,480

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

10. COMMITMENTS

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 Seminary has also agreed to help fund a theological education program at the Canadian Mennonite University over the next three years. The anticipated payments during the next five years are as follows:

2022	\$	57,473
2023		65,672
2024		66,385
2025		37,113
2026		37,855
		<hr/>
	\$	<u>264,498</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, 2021 the balance drawn on this line of credit was \$Nil (2020 - \$Nil).

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

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, 2021. In management's opinion, the Seminary is not exposed to significant credit, 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.

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 accounts receivable and 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.

Management has determined an appropriate allowance for doubtful accounts and anticipates that the remaining receivable balances as at May 31, 2021 are fully collectable. The maximum exposure equal to the carrying value of these financial instruments is \$112,957 (2020 - \$124,775).

Liquidity risk:

Liquidity risk is the risk that the Seminary will encounter difficulty in meeting obligations associated with liabilities. The Seminary is exposed to this risk mainly in respect of its accounts payable. 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.

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, 2021, the Seminary has cash and cash equivalents of \$44,172 (2020 – \$75,057), loans receivable of \$30,935 (2020 – \$52,631) and equity investments of \$1,159,865 (2020 – \$728,491) that are denominated in \$US currency, resulting in currency risk. The Seminary regularly monitors foreign currency fluctuations to manage currency risk.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

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. The Seminary mitigates the risk through its normal operating and financing activities.

(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. The Seminary mitigates the risk through controls to monitor and limit concentration in these investments and through the use of an investment advisor.

13. ALLOCATION OF EXPENSES

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

MENNONITE BRETHREN BIBLICAL SEMINARY
SCHEDULE OF EXPENSES BY CATEGORY
FOR THE YEAR ENDED MAY 31, 2021

(Schedule 1)

	General Fund	Restricted Fund	Endowment Fund	2021 Total	2020 Total
EXPENSES					
Salaries and benefits	\$ 900,061	\$ -	\$ -	\$ 900,061	\$ 1,028,166
Shared costs of Associated Canadian Theological Schools	142,939	-	-	142,939	156,260
Professional fees	56,203	995	-	57,198	55,766
Course development	35,292	-	-	35,292	20,829
Advertising and promotion	34,293	-	-	34,293	43,550
Rental	34,287	-	-	34,287	33,739
Investment management fees	22,794	-	-	22,794	21,546
Student financial aid	-	20,720	-	20,720	91,144
Office furniture and equipment	11,092	-	-	11,092	1,771
Amortization of property and equipment	9,019	-	-	9,019	2,236
Office supplies	8,000	-	-	8,000	10,843
Miscellaneous	6,973	-	-	6,973	11,268
Insurance	4,967	-	-	4,967	4,227
Interest and bank charges	3,413	230	-	3,643	3,412
Professional development	2,515	-	-	2,515	5,573
Travel	1,477	-	-	1,477	26,529
Bad debts	-	-	-	-	27,050
TOTAL	\$ 1,273,325	\$ 21,945	\$ -	\$ 1,295,270	\$ 1,543,909