
MENNONITE BROTHERS BIBLICAL SEMINARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022

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, 2022, 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, 2022, 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 4, 2022

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2022

	General Fund	Restricted Fund	Endowment Fund	2022 Total	2021 Total
ASSETS					
CURRENT					
Cash and cash equivalents	\$ 404,882	\$ 26,733	\$ -	\$ 431,615	\$ 383,030
Accounts receivable (Note 8)	52,279	-	-	52,279	54,566
Interest receivable (Note 4)	-	-	-	-	306
GST recoverable	5,141	-	-	5,141	1,564
Investments (Note 3)	329,286	1,174,976	498,480	2,002,742	2,338,538
Due from The Canadian Conference of the Mennonite Brethren Church of North America (Notes 4 & 8)	331,516	53,639	-	385,155	52,920
Due from Associated Canadian Theological Schools (Note 8)	14,462	-	-	14,462	14,462
Current portion of loans receivable (Note 5)	-	11,025	-	11,025	19,821
	1,137,566	1,266,373	498,480	2,902,419	2,865,207
LOAN RECEIVABLE (Note 5)	-	7,722	-	7,722	36,699
PROPERTY AND EQUIPMENT (Note 6)	29,193	-	-	29,193	270
	\$ 1,166,759	\$ 1,274,095	\$ 498,480	\$ 2,939,334	\$ 2,902,176
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 24,992	\$ -	\$ -	\$ 24,992	\$ 47,675
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	22,500	-	-	22,500	-
	47,492	-	-	47,492	47,675
FUND BALANCES					
Restricted funds					
Internally restricted (Note 9)	-	939,565	-	939,565	1,014,389
Externally restricted (Note 9)	-	334,530	-	334,530	361,761
Endowment Fund (Note 10)	-	-	498,480	498,480	498,480
Unrestricted	1,119,267	-	-	1,119,267	979,871
	1,119,267	1,274,095	498,480	2,891,842	2,854,501
	\$ 1,166,759	\$ 1,274,095	\$ 498,480	\$ 2,939,334	\$ 2,902,176

COMMITMENTS (Note 11)

CONTINGENT LIABILITY (Note 12)

Approved by the Board

_____ Director

_____ Director

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2022

	General Fund	Restricted Fund	Endowment Fund	2022 Total	2021 Total
REVENUES					
Donations					
General	\$ 341,510	\$ 20,000	\$ -	\$ 361,510	\$ 570,341
Congregations	231,097	-	-	231,097	250,952
Denomination support (Note 8)	140,000	-	-	140,000	99,167
Legacy/Estates	65,252	-	-	65,252	-
MBMC Support	-	-	-	-	42,598
Programs					
Associated Canadian Theological Schools (Note 8)	252,297	-	-	252,297	229,609
ACTS World Campus (Note 8)	201,526	-	-	201,526	274,804
Canadian Mennonite University (Note 8)	5,493	-	-	5,493	39,066
Teaching Church Initiative	85,985	-	-	85,985	-
Continuing Education	2,936	-	-	2,936	2,000
Other	8,100	-	-	8,100	10,317
	1,334,196	20,000	-	1,354,196	1,518,854
EXPENSES (Schedule 1)					
Shared Graduate Education Costs					
Associated Canadian Theological Schools (Note 8)	430,198	-	-	430,198	408,405
ACTS World Campus (Note 8)	190,148	-	-	190,148	238,429
Canadian Mennonite University (Note 8)	24,040	-	-	24,040	144,312
Other administrative charges	146,341	32	-	146,373	168,042
Executive Administration	163,902	-	-	163,902	139,672
Advancement	150,148	-	-	150,148	135,979
Rent (Note 8)	36,628	-	-	36,628	34,287
Teaching Church Initiative	37,599	16,500	-	54,099	1,018
Student financial aid	-	16,090	-	16,090	20,720
Graduate education costs	3,285	-	-	3,285	4,406
Board related expenses	4,386	-	-	4,386	-
Bad debts	-	27,875	-	27,875	-
	1,186,675	60,497	-	1,247,172	1,295,270
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	147,521	(40,497)	-	107,024	223,584
OTHER INCOME (EXPENSE)					
Investment income	28,026	135,138	-	163,164	105,472
Change in fair market value of investments	(49,110)	(249,583)	-	(298,693)	213,571
Gain (loss) on foreign exchange	12,959	52,887	-	65,846	(49,883)
Subsidies and grants	-	-	-	-	7,946
	(8,125)	(61,558)	-	(69,683)	277,106
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	139,396	(102,055)	-	37,341	500,690
FUND BALANCES, BEGINNING OF YEAR	979,871	1,376,150	498,480	2,854,501	2,353,811
FUND BALANCES, END OF YEAR	\$ 1,119,267	\$ 1,274,095	\$ 498,480	\$ 2,891,842	\$ 2,854,501

MENNONITE BRETHREN BIBLICAL SEMINARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2022

	General Fund	Restricted Fund	Endowment Fund	2022 Total	2021 Total
OPERATING ACTIVITIES					
Net revenue over expenses for the year	\$ 139,396	\$ (102,055)	\$ -	\$ 37,341	\$ 500,690
Items not affecting cash:					
Amortization of property and equipment	3,514	-	-	3,514	9,019
Amortization of deferred capital contributions	(2,500)	-	-	(2,500)	-
Change in fair market value of investments	49,110	249,583	-	298,693	(213,571)
Loss on foreign exchange	(12,959)	(52,887)	-	(65,846)	49,883
	176,561	94,641	-	271,202	346,021
Changes in non-cash working capital	(20,399)	308	-	(20,091)	(58,910)
	156,162	94,949	-	251,111	287,111
INVESTING ACTIVITIES					
Purchase of property and equipment	(32,437)	-	-	(32,437)	-
Loans receivable	-	37,774	-	37,774	29,600
Net changes in investments	244,307	(144,935)	-	99,372	(192,499)
Deferred capital contributions received	25,000	-	-	25,000	-
Due from The Canadian Conference of the Mennonite Brethren Church of North America	(331,516)	(719)	-	(332,235)	(1,120)
	(94,646)	(107,880)	-	(202,526)	(164,019)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR					
	61,516	(12,931)	-	48,585	123,092
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR					
	343,365	39,665	-	383,030	259,937
CASH AND CASH EQUIVALENTS, END OF YEAR					
	\$ 404,881	\$ 26,734	\$ -	\$ 431,615	\$ 383,029

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022

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 BRETHERN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022

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.

Deferred capital contributions include contributions that are restricted for the purchase of property and equipment. These contributions are amortized and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment.

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, 2022

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, measurement of deferred capital contributions and the amounts recorded as accrued liabilities.

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022

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

	2022	2021
General Fund		
Equity investments	\$ 329,286	\$ 613,319
Restricted Fund		
Fixed income investments	-	471,514
Equity investments	1,174,976	755,225
	1,174,976	1,226,739
Endowment Fund		
Fixed income investments	-	191,598
Equity investments	498,480	306,882
	498,480	498,480
	\$ 2,002,742	\$ 2,338,538

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 3.15% 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, 2022

5. LOANS RECEIVABLE

	2022	2021
Loans:		
-Interest free	\$ 156,012	\$ 159,201
Allowance for doubtful accounts	(137,265)	(102,681)
	18,747	56,520
Current portion	(11,025)	(19,821)
	\$ 7,722	\$ 36,699

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	2022 Net book value	2021 Net book value
Furniture and equipment	\$ 5,403	\$ 5,403	\$ -	\$ 270
Leasehold improvements	32,437	3,244	29,193	-
	\$ 37,840	\$ 8,647	\$ 29,193	\$ 270

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent restricted contributions that have been used to purchase property and equipment. These contributions are amortized at the same rate as the underlying property and equipment.

	2022	2021
Balance, beginning of year	\$ -	\$ -
Contributions received during the year	25,000	-
Amount recognized as revenue during the year	(2,500)	-
Balance, end of year	\$ 22,500	\$ -

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022

8. 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, 2022, 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.

	2022	2021
Associated Canadian Theological Schools		
Accounts receivable	\$ 43,958	\$ 24,476
Due from Associated Canadian Theological Schools	14,462	14,462
Program revenues - ACTS	252,297	229,609
Program revenues - ACTS World Campus	201,526	274,804
Shared graduate education costs - ACTS	430,198	408,405
Shared graduate education costs - ACTS World Campus	190,148	238,429
Rent	36,628	34,287
The Canadian Conference of the Mennonite Brethren Church of North America		
Due from The Canadian Conference of the Mennonite Brethren Church of North America	\$ 385,155	\$ 52,920
Denomination support	140,000	99,167
The Canadian Mennonite University		
Accounts payable	\$ 3,958	\$ 4,350
Program revenues	5,493	39,066
Shared graduate education costs	24,040	144,312

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, 2022

9. FUND BALANCES - RESTRICTED

	2022	2021
Internally Restricted		
Student financial aid	\$ 839,565	\$ 914,389
Student tuition protection fund (in compliance with BC Ministry of Advanced Education tuition protection requirements)	100,000	100,000
	\$ 939,565	\$ 1,014,389
Externally Restricted		
Theological Education	\$ 211,452	\$ 215,585
International Pastoral Leadership	26,611	52,819
Scholarships	91,733	92,123
Benevolence	1,234	1,234
Other	3,500	-
	\$ 334,530	\$ 361,761

10. FUND BALANCES - ENDOWMENT

	2022	2021
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, 2022

11. 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:

2023	\$	67,360
2024		68,107
2025		38,869
2026		39,646
2027		40,439
		<hr/>
	\$	<u>254,421</u>

12. 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, 2022 the balance drawn on this line of credit was \$Nil (2021 - \$Nil).

MENNONITE BRETHREN BIBLICAL SEMINARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2022

13. FINANCIAL INSTRUMENTS 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, 2022. 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, 2022 are fully collectable. The maximum exposure equal to the carrying value of these financial instruments is \$76,167 (2021 - \$112,957).

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, 2022, the Seminary has cash and cash equivalents of \$57,001 (2021 – \$44,172), loans receivable of \$139 (2021 – \$30,935) and equity investments of \$1,037,424 (2021 – \$1,159,865) 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, 2022

13. FINANCIAL INSTRUMENTS 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.

14. ALLOCATION OF EXPENSES

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

15. 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, 2022

(Schedule 1)

	General Fund	Restricted Fund	Endowment Fund	2021 Total	2020 Total
EXPENSES					
Salaries and benefits	\$ 853,158	\$ 16,500	\$ -	\$ 869,658	\$ 920,061
Shared costs of Associated Canadian Theological Schools	126,000	-	-	126,000	122,939
Professional fees	36,834	-	-	36,834	57,198
Rental	36,628	-	-	36,628	34,287
Bad debts	-	27,875	-	27,875	-
Shared costs of Canadian Mennonite University	22,500	-	-	22,500	-
Advertising and promotion	22,171	-	-	22,171	34,293
Investment management fees	22,119	-	-	22,119	22,794
Travel	18,731	-	-	18,731	1,477
Course development	16,461	-	-	16,461	35,292
Student financial aid	-	16,090	-	16,090	20,720
Office supplies	6,885	-	-	6,885	8,000
Miscellaneous	5,479	-	-	5,479	6,973
Insurance	5,265	-	-	5,265	4,967
Office furniture and equipment	5,260	-	-	5,260	11,092
Interest and bank charges	4,780	32	-	4,812	3,643
Amortization of property and equipment	3,514	-	-	3,514	9,019
Professional development	890	-	-	890	2,515
TOTAL	\$ 1,186,675	\$ 60,497	\$ -	\$ 1,247,172	\$ 1,295,270