MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

INDEX

Page 1-2.	Independent Auditor's Report
3.	Non-consolidated Statement of Financial Position
4.	Non-consolidated Statement of General Fund Balance
5.	Non-consolidated Statement of Operations
6.	Non-consolidated Statement of Cash Flows
7-13.	Notes to Non-consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Muskoka Ministry Centre
HUNTSVILLE
Ontario

Opinion

We have audited the accompanying non-consolidated financial statements of Muskoka Ministry Centre which comprise the statement of financial position as at December 31, 2019 and the statement of operations, statement of general fund balance and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 these non-consolidated 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 non-consolidated financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

WILLIAM L. McMULLEN, CPA, CA, LPA
JOHN C. KARRAM, CPA, CA, LPA
RODNEY J. RUSSELL, CPA, CA, LPA
PAUL A. SIMPSON, CPA, CA, LPA
PAUL W. McMULLEN, CPA, CA, LPA
MARK D. POTTER, CPA, CA, LPA
MICHAEL J. McNEILL, CPA, CA, LPA
PETER A. SIMPSON, CPA, CA, LPA
DAVID J. NORTON, CPA, CA, LPA (CONSULTANT)

NORTON McMULLEN LLP
ONE VALLEYWOOD DRIVE SUITE 200 MARKHAM ONTARIO L3R 5L9 T 905-479-7001 F 905-479-0045

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 non-consolidated 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 entity'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated 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.

Norton McMullen LLP

NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
April 1, 2020

MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31,	2019	2018
ASSETS		
Current		
Prepaid expenses	$ 6,990	$ 7,008
Due from related parties (Note 7)	1,289,159	438,799
	$ 1,296,149	$ 445,807
Capital Assets (Note 2)	10,966,844	11,093,437
Long-Term Investment (Note 3)	100	100
	$ 12,263,093	$ 11,539,344

	2019	2018
LIABILITIES		
Current		
Bank indebtedness (Note 4)	$ 197,224	$ 54,111
Accounts payable and accrued liabilities (Note 5)	100,054	61,869
Current portion of long-term debt (Note 6)	433,100	248,000
Bond payable to related party (Note 7)	1,200,000	1,200,000
Due to related parties (Note 7)	214,500	1,986
	$ 2,144,878	$ 1,565,966
Long-Term Debt (Note 6)	611,400	965,500
	$ 2,756,278	$ 2,531,466
GENERAL FUND	9,506,815	9,007,878
	$ 12,263,093	$ 11,539,344

Approved by the Board:

_________________ Director _________________ Director

See accompanying notes

NORTONMcMULLEN
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED STATEMENT OF GENERAL FUND BALANCE

For the year ended December 31,	2019	2018
BALANCE - Beginning	$ 9,007,878	$ 8,571,849
Excess of revenues over expenses	498,937	436,029
BALANCE - Ending	$ 9,506,815	$ 9,007,878

See accompanying notes

MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31,	2019	2018
REVENUES		
Rental income (Note 7)	$ 738,402	$ 695,602
Interest on loans to related parties (Note 7)	18,428	7,017
	$ 756,830	$ 702,619
EXPENSES		
Interest on long-term debt	$ 40,441	$ 47,790
Property taxes	36,621	36,129
Bank charges and credit card fees	15,033	15,722
Administration	10,705	11,450
Interest on loans from related parties	3,500	1,000
	$ 106,300	$ 112,091
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	$ 650,530	$ 590,528
Amortization	151,593	154,499
EXCESS OF REVENUES OVER EXPENSES	$ 498,937	$ 436,029

See accompanying notes

MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31,	2019	2018
CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ **498,937**	$ 436,029
Items not affecting cash:		
Amortization	**151,593**	154,499
	$ **650,530**	$ 590,528
Net change in non-cash working capital balances:		
Prepaid expenses	$ **18**	$ -
Accounts payable and accrued liabilities	**38,185**	(69,944)
	$ **38,203**	$ (69,944)
	$ **688,733**	$ 520,584
INVESTING ACTIVITIES		
Purchase of capital assets	$ **(25,000)**	$ -
Increase in demand loans due from related parties	**(843,000)**	(368,000)
	$ **(868,000)**	$ (368,000)
FINANCING ACTIVITIES		
Bond repayments	$ **(169,000)**	$ (152,200)
Bond issuance to related party	**-**	200,000
Increase in due from related parties	**(7,360)**	(6,902)
Increase in due to related parties	**2,514**	1,736
Increase (decrease) in demand loan due to related parties	**210,000**	(100,000)
	$ **36,154**	$ (57,366)
INCREASE (DECREASE) IN CASH	$ **(143,113)**	$ 95,218
CASH (BANK INDEBTEDNESS) - Beginning	**(54,111)**	(149,329)
CASH (BANK INDEBTEDNESS) - Ending	$ **(197,224)**	$ (54,111)

See accompanying notes

NATURE OF OPERATIONS

Muskoka Ministry Centre ("MMC") was incorporated under the laws of the province of Ontario on January 22, 1973. MMC operates as a not-for-profit organization and, as such, is exempt from income taxes.

MMC exists to exalt Jesus Christ by renewing, connecting and equipping the family of God in the splendor of His creation. MMC operates in conjunction with Muskoka Bible Ministries (“MBM”), Muskoka Bible Foundation (“MBF”), and Muskoka Bible Centre Inc. ("MBC Inc.")

1. **SIGNIFICANT ACCOUNTING POLICIES**

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) **Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and assumptions.

Significant estimates include the estimated useful life of capital assets.

b) **Fund Accounting**

The **General Fund**, which includes unrestricted resources, represents the portion of expendable funds that are available for support of organization activities, administration and other operating costs.

c) **Revenue Recognition**

Rental income is recognized at the time the service is provided and collection is reasonably assured. Interest income is recognized when earned.

d) **Cash and Cash Equivalents**

Cash and cash equivalents consist of bank balances, including overdrafts when bank balances fluctuate from being positive to overdrawn.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

e) **Capital Assets**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is being provided using the declining balance method over the estimated useful life of the assets using the following annual rates:

Land improvements	5%
Building	2.5%
Furniture, equipment and recreation	10%

f) **Impairment of Capital Assets**

When a capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense.

g) **Investments**

Investments in subsidiaries are recorded at cost. MMC issues only non-consolidated financial statements.

h) **Contributed Goods and Services**

Contributed goods and capital assets are recorded in the accounts at fair value at the date of contribution. Fair value is determined by independent professional appraisers or by other independent means.

MMC would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty in compiling these hours, contributed services are not recognized in the financial statements.

i) **Financial Instruments**

Measurement of Financial Instruments
MMC initially measures its financial assets and liabilities at fair value. MMC subsequently measures all its financial assets and financial liabilities at amortized cost, except for balances with related parties, which are measured at carrying value.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and long-term debt.

MMC has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

i) **Financial Instruments** - Continued

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. **CAPITAL ASSETS**

Capital assets consist of the following:

	2019			2018
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 5,215,000**	**$ -**	**$ 5,215,000**	$ 5,215,000
Land improvements	**75,217**	**21,816**	**53,401**	56,212
Buildings	**7,038,337**	**1,387,360**	**5,650,977**	5,795,874
Furniture, equipment and recreation	**74,767**	**27,301**	**47,466**	26,351
	$ 12,403,321	**$ 1,436,477**	**$ 10,966,844**	$ 11,093,437

3. **LONG-TERM INVESTMENT**

The long-term investment consists of the following:

	2019	2018
Shares in Muskoka Bible Centre Inc., a subsidiary company, 100% of voting shares	**$ 100**	$ 100

4. BANK CREDIT FACILITY

MMC has an available credit facility with the bank consisting of an operating line of credit (to a maximum limit of $800,000) that bears interest at prime plus 0.75% with interest only payable monthly. As security, MMC has provided the bank with:

a) a general assignment of accounts receivable;

b) a fixed and floating charge debenture for $1,000,000 giving the bank a first charge over MMC lands and a first floating charge over all business assets.

At the year-end, $193,189 (2018 - $53,316) was owing with respect to this credit facility.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2019	2018
Accounts payable	$ **52,063**	$ 2,177
Government remittances payable	**18,568**	22,349
Accrued bond interest	**25,423**	33,343
Other accrued liabilities	**4,000**	4,000
	$ **100,054**	$ 61,869

6. LONG-TERM DEBT

Long-term debt consists of the following:

	2019	2018
Bonds payable	$ **1,043,500**	$ 1,212,500
Life interest agreements	**1,000**	1,000
	$ **1,044,500**	$ 1,213,500
Less: Current portion of bonds payable	**433,100**	248,000
	$ **611,400**	$ 965,500

The bonds payable mature at various dates between being due on demand through to 2023 with interest rates ranging from 1% to 3.5%. Interest is paid on January 1 of each year or at the time of redemption.

6. **LONG-TERM DEBT** - Continued

Principal payments required on the bonds payable over the next four years are as follows:

2020	**$ 1,633,100**
2021	**257,400**
2022	**208,000**
2023	**145,000**
	$ 2,243,500

The Life Interest Agreements are irrevocable deposits. Interest is paid annually at a rate which is adjusted to be not more than the Canada Savings Bond rate. The current interest rate is 1%. The funds are for the general use of MMC and a designated portion of the funds become a donation upon the death of the investors.

All bonds issued by MMC are secured by a $5,500,000 second position charge against MMC's real property having a net book value of $10,919,448 (2018 - $11,067,086).

7. **RELATED PARTY BALANCES AND TRANSACTIONS**

The following related parties have engaged in transactions with MMC:

Muskoka Bible Centre Inc. ("MBC Inc.")	Wholly-owned subsidiary
Muskoka Bible Ministries ("MBM")	Controlled by the same board of directors
Muskoka Bible Foundation ("MBF")	Controlled by the same board of directors

Amounts owing from (to) related parties are as follows:

	2019	2018
Due from related parties		
MBC Inc. - Interest bearing demand loan	**$ 888,000**	$ 368,000
MBC Inc.	**57,094**	60,374
MBM - Interest bearing demand loan	**323,000**	-
MBM	**21,065**	10,425
	$ 1,289,159	$ 438,799
Due to related parties		
MBF	**$ (4,500)**	$ (1,986)
MBF - Interest bearing demand loan	**(210,000)**	-
	$ (214,500)	$ (1,986)
Bond payable to MBF, secured by property, bearing interest at 1% (2018 - 1%), due on demand	**$ (1,200,000)**	$ (1,200,000)

7. **RELATED PARTY BALANCES AND TRANSACTIONS** - Continued

With the exception of the interest bearing demand loan and bond payable, all other amounts due from (to) related parties are non-interest bearing and have no specified terms of repayment.

During the year, MMC provided additional short-term financing to MBC Inc. in the form of an interest bearing, due on demand loan in the amount of $520,000. Loans of this nature bear interest at 2%. The balance outstanding as at December 31, 2019 was $888,000 (2018 - $368,000).

During the year, MMC provided short-term financing to MBM in the form of an interest bearing, due on demand loan in the amount of $323,000. Loans of this nature bear interest at 2%. The balance outstanding as at December 31, 2019 was $323,000 (2018 - $nil).

During the year, MBF provided short-term financing to MMC in the form of an interest bearing, due on demand loan in the amount of $210,000. Loans of this nature bear interest at 2%. The balance outstanding as at December 31, 2019 was $210,000 (2018 - $nil).

MMC engaged with related parties in the following transactions:

		2019		2018
Rent charged to				
MBC Inc.	**$**	**551,002**	$	576,402
MBM		**187,400**		119,200
Interest on loans charged to MBC Inc.	**$**	**15,010**	$	7,017
Interest on loans charged to MBM Inc.	**$**	**3,418**	$	-
Interest expense on loan from MBM	**$**	**-**	$	800
Interest expense on loan from MBF	**$**	**3,500**	$	200
Interest expense on bonds held by MBF	**$**	**12,000**	$	10,950
Administration costs charged from MBC Inc.	**$**	**7,950**	$	7,950

These transactions were carried out in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration agreed upon by the related parties.

8. **FINANCIAL INSTRUMENTS**

Risks and Concentrations

MMC is exposed to various risks through its financial instruments. The following analysis provides a summary of MMC's exposure to and concentrations of risk at December 31, 2019:

a) **Liquidity Risk**

Liquidity risk is the risk that MMC will encounter difficulty in meeting obligations associated with financial liabilities. MMC is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt. MMC manages this risk by managing its working capital, ensuring that sufficient credit is available and by generated sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

b) **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. MMC is exposed mainly to interest rate risk as follows:

i) **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. As described in Notes 4, 6 and 7, MMC is exposed to interest rate risk with respect to its bank indebtedness, long-term debt, and bond payable to related party. MMC does not currently hold any financial instruments to mitigate this risk. The exposure to this risk fluctuates as the debt and related interest rates change from year to year.