
MUSKOKA BIBLE MINISTRIES
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Muskoka Bible Ministries
HUNTSVILLE
Ontario

Opinion

We have audited the accompanying financial statements of Muskoka Bible Ministries which comprise the statement of financial position as at December 31, 2019 and the statement of operations and changes in net assets 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, the accompanying 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 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 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

April 1, 2020

MUSKOKA BIBLE MINISTRIES

STATEMENT OF FINANCIAL POSITION

As at December 31,	2019	2018
ASSETS		
Current		
Cash	\$ 41,477	\$ 12,422
HST refundable	31,044	23,158
Due from related party (Note 3)	234,625	145,522
Prepaid expenses	12,779	5,449
	<u>\$ 319,925</u>	<u>\$ 186,551</u>
Capital Assets (Note 2)	<u>238,101</u>	<u>137,069</u>
	<u>\$ 558,026</u>	<u>\$ 323,620</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 18,114	\$ 8,355
Due to related parties (Note 3)	372,459	18,068
	<u>\$ 390,573</u>	<u>\$ 26,423</u>

NET ASSETS	<u>167,453</u>	<u>297,197</u>
	<u>\$ 558,026</u>	<u>\$ 323,620</u>

Contingencies (Note 5)

Approved by the Board:

 Director

 Director

MUSKOKA BIBLE MINISTRIES

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31,

2019

2018

REVENUES

Donations (Note 3)	\$ 1,029,867	\$ 786,291
Ministry fee revenue	60,936	83,205
Interest (Note 3)	-	800
	<u>\$ 1,090,803</u>	<u>\$ 870,296</u>

EXPENSES

MBC ministry (Note 3)	\$ 875,857	\$ 793,225
Rent (Note 3)	194,782	123,895
Administration, utilities and maintenance	113,629	46,181
Amortization	27,375	19,163
Widjiitiwin ministry (Note 3)	5,486	19,563
Interest (Note 3)	3,418	-
	<u>\$ 1,220,547</u>	<u>\$ 1,002,027</u>

DEFICIENCY OF REVENUES OVER EXPENSES

\$ (129,744) \$ (131,731)

NET ASSETS - Beginning

297,197 428,928

NET ASSETS - Ending

\$ 167,453 \$ 297,197

See accompanying notes

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MUSKOKA BIBLE MINISTRIES

STATEMENT OF CASH FLOWS

For the year ended December 31,

2019

2018

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Deficiency of revenues over expenses	\$ (129,744)	\$ (131,731)
Items not affecting cash:		
Amortization	<u>27,375</u>	<u>19,163</u>
	\$ (102,369)	\$ (112,568)
Net change in non-cash working capital balances:		
HST refundable	(7,886)	(3,242)
Prepaid expenses	(7,330)	21
Accounts payable and accrued liabilities	<u>9,759</u>	<u>1,720</u>
	\$ (107,826)	\$ (114,069)

INVESTING ACTIVITIES

Purchase of capital assets	\$ (128,407)	\$ (77,411)
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FINANCING ACTIVITIES

Decrease in amounts due from related party	\$ (89,103)	\$ 47,557
Decrease in amounts due to related parties	<u>354,391</u>	<u>(7,396)</u>
	\$ 265,288	\$ 40,161

INCREASE (DECREASE) IN CASH

	\$ 29,055	\$ (151,319)
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CASH - Beginning

	<u>12,422</u>	<u>163,741</u>
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CASH - Ending

	<u>\$ 41,477</u>	<u>\$ 12,422</u>
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See accompanying notes

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MUSKOKA BIBLE MINISTRIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NATURE OF OPERATIONS

Muskoka Bible Ministries ("MBM") was incorporated without share capital by letters of patent under the Canada Corporations Act on July 4, 2013. On December 23, 2016, MBM amalgamated with Bible Centre Ministries ("BCM"), a related party and registered charity. At this time, MBM adopted BCM's existing registered charity status under the Income Tax Act (Canada) and as such, is exempt from income tax and is able to issue donation receipts for income tax purposes.

MBM operates in conjunction with Muskoka Bible Centre Inc. ("MBC Inc."), Muskoka Ministry Centre ("MMC"), and Muskoka Bible Foundation ("MBF").

1. SIGNIFICANT ACCOUNTING POLICIES

These 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 these estimates. Significant estimates include the estimated useful life of capital assets.

b) Revenue Recognition

MBM follows the deferral method of accounting for donations. Restricted donations are recognized as revenue in the year in which related expenses are incurred. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ministry fee revenue is recognized when events and sessions are completed. Deposits received for events and sessions in subsequent years are recorded as deferred revenue and recognized as revenue once the related events and sessions are completed.

c) Cash and Cash Equivalents

Cash and cash equivalents includes cash held in the bank account.

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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

d) **Capital Assets**

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets using the following annual rates and method:

	<u>Rate</u>	<u>Method</u>
Computer and AV equipment	20%	declining balance
Furniture and fixtures	10%	declining balance
Trailers	20%	declining balance

e) **Impairment of Capital Assets**

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

f) **Financial Instruments**

Measurement of Financial Instruments

MBM initially measures all of its financial assets and liabilities at fair value and subsequently measures all of its financial assets and 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 accounts payable and accrued liabilities.

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

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 indicators of impairment in the current year.

MUSKOKA BIBLE MINISTRIES
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2. CAPITAL ASSETS

Capital assets consist of the following:

	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer and AV equipment	\$ 89,650	\$ 42,774	\$ 46,876	\$ 31,512
Furniture and fixtures	188,092	20,013	168,079	76,624
Trailers	50,231	27,085	23,146	28,933
	<u>\$ 327,973</u>	<u>\$ 89,872</u>	<u>\$ 238,101</u>	<u>\$ 137,069</u>

3. RELATED PARTY BALANCES AND TRANSACTIONS

The following related parties have engaged in transactions with MBM:

Muskoka Ministry Centre ("MMC")	Controlled by the same board of directors
Muskoka Bible Centre Inc. ("MBC Inc.")	Controlled by the same board of directors
Muskoka Bible Foundation ("MBF")	Controlled by the same board of directors

Amounts owing from (to) related parties consist of the following:

	2019	2018
Due from related party		
MBF	<u>\$ 234,625</u>	<u>\$ 145,522</u>
Due to related parties		
MMC - Interest bearing demand loan	\$ (323,000)	\$ -
MMC	(21,065)	(10,425)
MBC Inc.	<u>(28,394)</u>	<u>(7,643)</u>
	<u>\$ (372,459)</u>	<u>\$ (18,068)</u>

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

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).

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3. RELATED PARTY BALANCES AND TRANSACTIONS - Continued

	2019	2018
MBM engaged with MMC in the following transactions:		
Rent expense	\$ 187,400	\$ 119,200
Interest paid (charged) on loans	3,418	(800)
MBM engaged with MBC Inc. in the following transactions:		
Administration expense included in MBC ministry	\$ 150,552	\$ 18,600
Salaries and benefits expense included in MBC ministry	19,580	14,091
Meals and accommodation expense included in MBC ministry	76,736	94,265
Administration reimbursement included in MBC ministry	(31,475)	(76,961)
MBM engaged with MBF in the following transactions:		
Donation revenue	\$ 1,029,867	\$ 786,291

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.

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4. FINANCIAL INSTRUMENTS

Risks and Concentrations

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

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. MBM is not exposed to significant credit risk. There has been no change in the assessment of credit risk from the prior year.

b) Liquidity Risk

Liquidity risk is the risk that MBM will encounter difficulty in meeting obligations associated with financial liabilities. MBM is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. MBM manages this risk by generating sufficient cash flow from operations and by managing its working capital. There has been no change in the assessment of liquidity risk from the prior year.

c) 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 price risk. MBM 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 Note 3, MBM is exposed to interest rate risk with respect to its related party interest bearing demand loans. The exposure to this risk fluctuates as the balances and related interest rates change from year to year.

5. CONTINGENCIES

MBM is contingently liable as guarantor to the operating line of credit of MMC. The operating line of credit has an available limit of \$800,000, the balance of which was \$193,189 at December 31, 2019 (2018 - \$53,316).