
MUSKOKA BIBLE CENTRE INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors
Muskoka Bible Centre Inc.
HUNTSVILLE
Ontario

Opinion

We have audited the accompanying financial statements of Muskoka Bible Centre Inc. which comprise the balance sheet as at December 31, 2019 and the statement of deficit, statement of operations 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 private enterprises.

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 private enterprises 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 CENTRE INC.

BALANCE SHEET

As at December 31,

2019

2018

ASSETS

Current

Cash	\$ 491,512	\$ 243,709
Accounts receivable (Note 2)	18,195	32,225
Inventories (Note 3)	78,790	88,365
Prepaid expenses	1,460	3,635
Due from related party (Note 4)	28,394	7,643
	<u>\$ 618,351</u>	<u>\$ 375,577</u>

Property and Equipment (Note 5)

<u>1,038,396</u>	<u>958,396</u>
<u>\$ 1,656,747</u>	<u>\$ 1,333,973</u>

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 6)	\$ 257,150	\$ 127,551
Deferred revenue (Note 7)	1,075,856	1,039,287
Due to related parties (Note 4)	944,466	641,130
	<u>\$ 2,277,472</u>	<u>\$ 1,807,968</u>

SHAREHOLDERS' EQUITY

Share Capital (Note 8)	\$ 100	\$ 100
Deficit	(620,825)	(474,095)
	<u>\$ (620,725)</u>	<u>\$ (473,995)</u>
	<u>\$ 1,656,747</u>	<u>\$ 1,333,973</u>

Contingencies (Note 10)

Approved by the Board:



Director



Director

See accompanying notes

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MUSKOKA BIBLE CENTRE INC.**STATEMENT OF DEFICIT**

For the year ended December 31,

2019**2018**

BALANCE - Beginning	\$ (474,095)	\$ (103,324)
Net loss	<u>(146,730)</u>	<u>(370,771)</u>
BALANCE - Ending	<u>\$ (620,825)</u>	<u>\$ (474,095)</u>

See accompanying notes

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MUSKOKA BIBLE CENTRE INC.**STATEMENT OF OPERATIONS**

For the year ended December 31,

2019**2018**

REVENUES

Campground, marina, and cottage fees	\$ 1,370,337	\$ 1,355,576
Accommodation revenue	1,005,594	910,822
Foodservice revenue	1,004,540	998,160
Administration fees (Note 4)	192,182	54,741
Bookstore	167,471	165,721
Camp Widjiitiwin	139,762	118,212
Recreation/program revenue	100,546	102,711
Gain on sale of property and equipment	-	4,088
	<u>\$ 3,980,432</u>	<u>\$ 3,710,031</u>

EXPENSES

Administration	\$ 1,373,254	\$ 1,349,985
Accommodation, food, campground, and marina	1,333,062	1,336,202
Maintenance	756,809	761,461
Camp Widjiitiwin	329,945	279,083
Bookstore	140,961	140,842
Bank charges and credit card fees	60,773	102,792
Interest on loans	15,710	11,101
Loss on sale of property and equipment	3,773	-
	<u>\$ 4,014,287</u>	<u>\$ 3,981,466</u>

LOSS BEFORE AMORTIZATION**\$ (33,855) \$ (271,435)**

Amortization of property and equipment

112,875 99,336**NET LOSS****\$ (146,730) \$ (370,771)**

See accompanying notes

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MUSKOKA BIBLE CENTRE INC.**STATEMENT OF CASH FLOWS**

For the year ended December 31,

2019

2018

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):**OPERATING ACTIVITIES**

Net Loss	\$ (146,730)	\$ (370,771)
Items not affecting cash:		
Loss (gain) on disposal of property and equipment	3,773	(4,088)
Amortization of property and equipment	<u>112,875</u>	<u>99,336</u>
	<u>\$ (30,082)</u>	<u>\$ (275,523)</u>

Net change in non-cash working capital balances:

Accounts receivable	\$ 14,030	\$ 7,111
Inventories	9,575	8,838
Prepaid expenses	2,175	(2,403)
Accounts payable and accrued liabilities	129,599	(22,561)
Deferred revenue	<u>36,569</u>	<u>78,599</u>
	<u>\$ 191,948</u>	<u>\$ 69,584</u>
	<u>\$ 161,866</u>	<u>\$ (205,939)</u>

INVESTING ACTIVITIES

Purchase of property and equipment	\$ (215,886)	\$ (245,556)
Proceeds on disposal of property and equipment	<u>19,238</u>	<u>7,592</u>
	<u>\$ (196,648)</u>	<u>\$ (237,964)</u>

FINANCING ACTIVITIES

Decrease (increase) in due from related parties	\$ (20,751)	\$ 7,780
Increase in demand loan due to related parties	678,000	478,000
Increase in due to related parties	<u>(374,664)</u>	<u>9,164</u>
	<u>\$ 282,585</u>	<u>\$ 494,944</u>

INCREASE IN CASH**\$ 247,803** **\$ 51,041****CASH - Beginning**243,709 192,668**CASH - Ending**\$ 491,512 \$ 243,709

See accompanying notes

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MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NATURE OF OPERATIONS

Muskoka Bible Centre Inc. ("MBC Inc.") exists to exalt Jesus Christ by renewing, connecting and equipping the family of God in the splendor of His creation. MBC Inc. was incorporated under the laws of the province of Ontario on June 27, 2013.

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

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and includes the following significant accounting policies:

a) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises 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 the estimates used.

Significant estimates include the estimated useful life of property and equipment.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances.

c) Inventories

Inventories, consisting of various types of merchandise (bookstore inventories, food, and tuck) are stated at the lower of cost or net realizable value with cost being determined using the specific identification method and weighted average cost for similar items. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs. MBC Inc. records lower of cost or net realizable value adjustments based on changes in market pricing, customer demand, technological developments or other economic factors and for on-hand excess, obsolete, or slow-moving inventories.

MUSKOKA BIBLE CENTRE INC.
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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

d) **Property and Equipment**

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

	<u>Rate</u>	<u>Method</u>
Land improvements	5%	declining balance
Furniture and equipment	10%	declining balance
Trailers and vehicles	20%	declining balance
Sewage treatment system	10%	declining balance
Information technology	20%	declining balance

e) **Impairment of Long-Lived Assets**

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. There are no impairment indicators in the current year.

f) **Revenue Recognition**

Revenue from product sales is recognized when title passes to the customer and there are no significant retained risks with respect to the product sold.

Revenue from the provision of services is recognized when services are provided and collection is reasonably assured. Funds received in advance of meeting the revenue recognition criteria are recorded as deferred revenue.

g) **Income Tax**

MBC Inc. uses the taxes payable method of accounting for income taxes. Under this method, income taxes payable for the current year are recorded as current income taxes.

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

h) **Financial Instruments**

Measurement of Financial Instruments

MBC Inc. initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. MBC Inc. 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 and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

MBC Inc. 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 net income 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. **ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2019	2018
Trade accounts receivable	\$ 21,512	\$ 33,068
Allowance for doubtful accounts	<u>(3,317)</u>	<u>(843)</u>
	<u>\$ 18,195</u>	<u>\$ 32,225</u>

3. **INVENTORIES**

Inventories consist of the following:

	2019	2018
Bookstore	\$ 50,590	\$ 54,866
Food, tuck, and other	<u>28,200</u>	<u>33,499</u>
	<u>\$ 78,790</u>	<u>\$ 88,365</u>

Inventories expensed for the year ended December 31, 2019 totaled \$616,729 (2018 - \$617,622).

MUSKOKA BIBLE CENTRE INC.
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4. RELATED PARTY BALANCES AND TRANSACTIONS

The following related parties have engaged in transactions with MBC Inc.:

Muskoka Ministry Centre ("MMC")	Parent company
Muskoka Bible Foundation ("MBF")	Controlled by the same board of directors
Muskoka Bible Ministries ("MBM")	Controlled by the same board of directors

Related Party Balances

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

	2019	2018
Due from related party		
MBM	<u>\$ 28,394</u>	<u>\$ 7,643</u>
Due to related parties		
MMC	\$ (57,094)	\$ (60,374)
MBF	628	(2,756)
MMC - Interest bearing demand loan	(888,000)	(368,000)
MBF - Interest bearing demand loan	<u>-</u>	<u>(210,000)</u>
	<u>\$ (944,466)</u>	<u>\$ (641,130)</u>

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

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

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

MUSKOKA BIBLE CENTRE INC.
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4. RELATED PARTY BALANCES AND TRANSACTIONS - Continued

Related Party Transactions

MBC Inc. engaged with MBM in the following transactions:

	2019	2018
Administration expense	\$ 31,475	\$ 76,961
Meals and accommodation revenue	(76,736)	(94,265)
Salaries and benefits revenue	(19,580)	(14,091)
Administration revenue	(150,552)	(18,600)

MBC Inc. engaged with MMC in the following transactions:

Rent expense	\$ 551,002	\$ 576,402
Administration revenue	(7,950)	(7,950)
Interest expense	15,010	7,017

MBC Inc. engaged with MBF in the following transactions:

Administration revenue	\$ (14,100)	\$ (14,100)
Interest expense	700	4,083

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.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	\$ 127,881	\$ 16,562	\$ 111,319	\$ 91,614
Furniture and equipment	1,104,312	308,981	795,331	759,778
Trailers and vehicles	145,394	52,531	92,863	89,383
Sewage treatment system	43,647	5,665	37,982	16,495
Information technology	3,055	2,154	901	1,126
	<u>\$ 1,424,289</u>	<u>\$ 385,893</u>	<u>\$ 1,038,396</u>	<u>\$ 958,396</u>

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2019	2018
Trade payables	\$ 51,634	\$ 74,151
Trade accrued liabilities	51,291	30,475
Government remittances payable	<u>154,225</u>	<u>22,925</u>
	<u>\$ 257,150</u>	<u>\$ 127,551</u>

7. DEFERRED REVENUE

Deferred revenue represents fees paid before December 31 relating to services to be provided in the next fiscal year and consists of the following:

	2019	2018
Campground fees	\$ 818,876	\$ 823,598
Cottage service fees	134,984	118,449
Accommodation fees	<u>121,996</u>	<u>97,240</u>
	<u>\$ 1,075,856</u>	<u>\$ 1,039,287</u>

8. SHARE CAPITAL

Share capital consists of the following:

	2019	2018
Issued:		
100 Common Shares	<u>\$ 100</u>	<u>\$ 100</u>

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
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9. INCOME TAXES - TAXES PAYABLE METHOD

MBC Inc. accounts for income taxes using the taxes payable method. Under this method, MBC Inc.'s income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2019	2018
Net loss per financial statements	\$ (146,730)	\$ (370,771)
Decrease in taxable income resulting from:		
Accounting losses (gains)	3,773	(4,088)
Amortization in excess (deficiency) of capital cost allowance	<u>112,875</u>	<u>(26,917)</u>
Carryforward Income Tax Benefit	<u>\$ (30,082)</u>	<u>\$ (401,776)</u>
Income Taxes	<u>\$ -</u>	<u>\$ -</u>

MBC Inc. has non-capital losses carried forward for income tax purposes in the amount of \$724,393 which expire in 2034 through 2039.

10. CONTINGENCIES

MBC Inc. 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).

11. FINANCIAL INSTRUMENTS

Risks and Concentrations

MBC Inc. is exposed to various risks through its financial instruments. The following analysis provides a summary of MBC Inc.'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 a financial loss for the other party by failing to discharge an obligation. MBC Inc.'s main credit risk relates to its accounts receivable. MBC Inc. provides credit to its clients in the normal course of its operations and MBC Inc. manages its credit risk by imposing credit limits. There is no concentration of credit risk as at December 31, 2019 and there has been no change in the assessment of credit risk from the prior year. The allowance for doubtful accounts is disclosed in Note 2.

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
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11. **FINANCIAL INSTRUMENTS** - Continued

b) **Liquidity Risk**

Liquidity risk is the risk that MBC Inc. will encounter difficulty in meeting obligations associated with financial liabilities. MBC Inc. is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. MBC Inc. manages this risk by managing its working capital and by generating sufficient cash flows from operations. There has been no change in the risk assessment 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 other price risk. MBC Inc. 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 4, MBC Inc. 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.