
MUSKOKA BIBLE FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Muskoka Bible Foundation
HUNTSVILLE
Ontario

Opinion

We have audited the accompanying financial statements of Muskoka Bible Foundation which comprise the statement of financial position as at December 31, 2019 and the statement of operations, statement of 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 FOUNDATION
STATEMENT OF FINANCIAL POSITION

As at December 31,

2019

2018

ASSETS

Current

Cash	\$ 237,075	\$ 146,009
Due from related parties (Note 2)	213,872	214,742
Bonds - due from related party (Note 2)	1,200,000	1,200,000
HST refundable	<u>838</u>	<u>1,731</u>
	<u>\$ 1,651,785</u>	<u>\$ 1,562,482</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 3,500	\$ 3,300
Due to related parties (Note 2)	<u>234,625</u>	<u>145,522</u>
	<u>\$ 238,125</u>	<u>\$ 148,822</u>

NET ASSETS

	<u>1,413,660</u>	<u>1,413,660</u>
	<u>\$ 1,651,785</u>	<u>\$ 1,562,482</u>

Contingencies (Note 4)

Approved by the Board:



Director



Director

See accompanying notes

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MUSKOKA BIBLE FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSTS

For the year ended December 31,

2019

2018

REVENUES

Donations	\$ 1,044,380	\$ 1,015,875
Interest income (Note 2)	<u>16,200</u>	<u>15,233</u>
	<u>\$ 1,060,580</u>	<u>\$ 1,031,108</u>

EXPENSES

Donations (Note 2)	\$ 1,029,867	\$ 786,291
Administration (Note 2)	<u>26,875</u>	<u>41,325</u>
Professional fees	<u>3,838</u>	<u>3,492</u>
	<u>\$ 1,060,580</u>	<u>\$ 831,108</u>

EXCESS OF REVENUES OVER EXPENSES

\$ - \$ 200,000

NET ASSETS - Beginning

1,413,660 1,213,660

NET ASSETS - Ending

\$ 1,413,660 \$ 1,413,660

See accompanying notes

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MUSKOKA BIBLE FOUNDATION

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	\$ -	\$ 200,000
Items not affecting cash:		
Non-cash donation	-	(200,000)
	<u>\$ -</u>	<u>\$ -</u>
Net change in non-cash working capital balances:		
HST refundable	893	(289)
Accounts payable and accrued liabilities	200	(1,360)
	<u>\$ 1,093</u>	<u>\$ (1,649)</u>

INVESTING ACTIVITIES

Increase in demand loan due from related parties	<u>\$ -</u>	<u>\$ (10,000)</u>
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FINANCING ACTIVITIES

Change in amounts due from related parties	\$ 870	\$ (4,382)
Change in amounts due to related parties	89,103	(47,557)
	<u>\$ 89,973</u>	<u>\$ (51,939)</u>

INCREASE (DECREASE) IN CASH

	\$ 91,066	\$ (63,588)
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CASH - Beginning

	<u>146,009</u>	<u>209,597</u>
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CASH - Ending

	<u>\$ 237,075</u>	<u>\$ 146,009</u>
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See accompanying notes

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MUSKOKA BIBLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NATURE OF OPERATIONS

Muskoka Bible Foundation ("MBF") was incorporated without share capital by letters of patent under the Canada Corporations Act on June 19, 2007. MBF is a registered charity 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.

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

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.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in the bank account.

c) Revenue Recognition

MBF 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 they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as revenue when earned.

d) Contributed Services

Volunteer services contributed to MBF in carrying out its operating activities are not recognized in these financial statements due to the difficulty in determining their fair value.

e) Non-Monetary Transactions

Non-monetary transactions of commercial substance are measured at the fair value of the instrument acquired.

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

f) **Financial Instruments**

Measurement of Financial Instruments

MBF 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 certain balances with related parties, which are measured at carrying value.

Financial assets measured at amortized cost include cash and the bonds. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

MBF 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.

2. **RELATED PARTY BALANCES AND TRANSACTIONS**

The following related parties have engaged in transactions with MBF:

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 Ministries ("MBM")	Controlled by the same board of directors

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

	2019	2018
Due from (to) related parties		
MMC - Interest bearing demand loan	\$ 210,000	\$ -
MMC	4,500	1,986
MBC Inc. - Interest bearing demand loan	-	210,000
MBC Inc.	<u>(628)</u>	<u>2,756</u>
	\$ 213,872	\$ 214,742
Bonds, due from MMC, secured by property, 1% (2018 - 1%), due on demand	<u>1,200,000</u>	<u>1,200,000</u>
	<u>\$ 1,413,872</u>	<u>\$ 1,414,742</u>

MUSKOKA BIBLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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2. **RELATED PARTY BALANCES AND TRANSACTIONS** - Continued

	2019	2018
Due to related party MBM	<u>\$ 234,625</u>	<u>\$ 145,522</u>

With the exception of the interest bearing demand loan and the bond receivable, 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 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).

During the year, MBF provided short-term financing to MBC Inc. 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 \$nil (2018 - \$210,000).

MBF engaged with related parties in the following transactions:

	2019	2018
Interest charged to MBC Inc.	\$ 700	\$ 4,083
Interest charged to MMC	3,500	200
Bond interest from MMC	<u>12,000</u>	<u>10,950</u>
	<u>\$ 16,200</u>	<u>\$ 15,233</u>
Donations to MBM	\$ 1,029,867	\$ 786,291
Administration charges from MBC Inc.	14,100	14,100

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.

MUSKOKA BIBLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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3. FINANCIAL INSTRUMENTS

Risks and Concentrations

MBF is exposed to various risks through its financial instruments. The following analysis provides a summary of MBF'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. MBF 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 MBF will encounter difficulty in meeting obligations associated with financial liabilities. MBF is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. MBF 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. MBF 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 2, MBF 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.

4. CONTINGENCIES

MBF 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).