
MUSKOKA BIBLE CENTRE INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021

INDEX

- Page 1-2. Independent Auditor's Report**
- 3. Balance Sheet**
- 4. Statement of Deficit**
- 5. Statement of Operations**
- 6. Statement of Cash Flows**
- 7-14. Notes to Financial Statements**

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, 2021 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, 2021 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.

- 1 -

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

March 10, 2022

MUSKOKA BIBLE CENTRE INC.

BALANCE SHEET

As at December 31,

2021

2020

ASSETS

Current

Cash	\$ 803,797	\$ 289,172
Accounts receivable (Note 2)	2,601	43,672
Inventories (Note 3)	61,935	66,895
Prepaid expenses	-	4,789
Due from related party (Note 4)	31,239	51,105
	<u>\$ 899,572</u>	<u>\$ 455,633</u>

Property and Equipment (Note 5)

<u>1,524,557</u>	<u>1,225,389</u>
<u>\$ 2,424,129</u>	<u>\$ 1,681,022</u>

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 6)	\$ 446,406	\$ 247,869
Deferred revenue (Note 7)	1,136,487	1,147,499
Due to related parties (Note 4)	1,269,321	810,398
	<u>\$ 2,852,214</u>	<u>\$ 2,205,766</u>

SHAREHOLDERS' EQUITY

Share Capital (Note 8)

\$ 100	\$ 100
--------	--------

Deficit

(428,185)	(524,844)
<u>\$ (428,085)</u>	<u>\$ (524,744)</u>

<u>\$ 2,424,129</u>	<u>\$ 1,681,022</u>
---------------------	---------------------

Contingencies (Note 11)

Approved by the Board:



Director



Director

See accompanying notes

- 3 -

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

For the year ended December 31,

2021**2020**

BALANCE - Beginning	\$ (524,844)	\$ (620,825)
Net income	<u>96,659</u>	<u>95,981</u>
BALANCE - Ending	<u>\$ (428,185)</u>	<u>\$ (524,844)</u>

See accompanying notes

- 4 -

MUSKOKA BIBLE CENTRE INC.

STATEMENT OF OPERATIONS

For the year ended December 31,

2021

2020

REVENUES

Campground, marina, and cottage fees	\$ 1,591,797	\$ 1,387,171
Accommodation revenue	957,605	607,204
Government assistance (Note 9)	338,880	633,925
Foodservice revenue	621,625	385,524
Administration fees (Note 4)	210,936	146,496
Bookstore	132,827	92,146
Recreation/program revenue	67,190	39,123
Camp Widjiitiwin	34,586	10,103
Gain on sale of property and equipment	53,772	3,610
	<u>\$ 4,009,218</u>	<u>\$ 3,305,302</u>

EXPENSES

Administration	\$ 1,556,765	\$ 1,345,776
Accommodation, food, campground, and marina	1,123,505	858,974
Maintenance	737,771	645,219
Camp Widjiitiwin	130,597	88,954
Bookstore	116,251	80,937
Bank charges and credit card fees	71,131	43,288
Interest on loans	22,635	20,818
	<u>\$ 3,758,655</u>	<u>\$ 3,083,966</u>

INCOME BEFORE AMORTIZATION

\$ 250,563 \$ 221,336

Amortization of property and equipment

153,904 125,355

NET INCOME

\$ 96,659 \$ 95,981

See accompanying notes

- 5 -

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

For the year ended December 31,

2021**2020**

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

Net Income	\$	96,659	\$	95,981
Items not affecting cash:				
Gain on disposal of property and equipment		(53,772)		(3,610)
Amortization of property and equipment		153,904		125,355
	\$	196,791	\$	217,726

Net change in non-cash working capital balances:

Accounts receivable	\$	41,071	\$	(25,477)
Inventories		4,960		11,895
Prepaid expenses		4,789		(3,329)
Accounts payable and accrued liabilities		198,537		(9,281)
Deferred revenue		(11,012)		71,643
	\$	238,345	\$	45,451
	\$	435,136	\$	263,177

INVESTING ACTIVITIES

Purchase of property and equipment	\$	(458,181)	\$	(319,298)
Proceeds on disposal of property and equipment		58,881		10,560
	\$	(399,300)	\$	(308,738)

FINANCING ACTIVITIES

Increase in due from related parties	\$	19,866	\$	(22,083)
Increase (decrease) in demand loan due to related parties		435,000		(110,000)
Decrease in due to related parties		23,923		(24,696)
	\$	478,789	\$	(156,779)

INCREASE (DECREASE) IN CASH**\$ 514,625** **\$ (202,340)****CASH - Beginning****289,172** **491,512****CASH - Ending****\$ 803,797** **\$ 289,172**

See accompanying notes

- 6 -

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

Change in Accounting Policy

Financial Instruments Originated or Exchanged in a Related Party Transaction

MBC Inc. adopted the amendments to FINANCIAL INSTRUMENTS, Section 3856, relating to the recognition of financial instruments originated or exchanged in a related party transaction.

Under these new requirements, such a financial instrument is initially measured at cost, which is determined depending on whether the instrument has repayment terms. If it does, cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses. Otherwise, its cost is determined using the consideration transferred or received by MBC Inc. Subsequent measurement is based on how the instrument was initially measured. In general, a financial instrument is subsequently measured at cost less any reduction for impairment, or at fair value.

According to the transition provisions, such financial instruments that exist at the date these amendments are applied for the first time, i.e. January 1, 2021, are measured as follows. The cost of an instrument that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment as at the beginning of the earliest comparative period, i.e. January 1, 2020. The cost of an instrument that does not have repayment terms is deemed to be its carrying amount in MBC Inc.'s financial statements, less any impairment, as at the same date.

The adoption of these new requirements had no impact on MBC Inc.'s financial statements.

These financial statements include the following significant accounting policies:

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

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.

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.

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

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.

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:

	2021	2020
Trade accounts receivable	\$ 3,251	\$ 44,390
Allowance for doubtful accounts	<u>(650)</u>	<u>(718)</u>
	<u>\$ 2,601</u>	<u>\$ 43,672</u>

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

3. INVENTORIES

Inventories consist of the following:

	2021	2020
Bookstore	\$ 37,052	\$ 44,690
Food, tuck, and other	<u>24,883</u>	<u>22,205</u>
	<u>\$ 61,935</u>	<u>\$ 66,895</u>

Inventories expensed for the year ended December 31, 2021 totaled \$417,358 (2020 - \$288,602).

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:

	2021	2020
Due from related party		
MBF	\$ 846	\$ 255
MBM	<u>30,393</u>	<u>50,850</u>
	<u>\$ 31,239</u>	<u>\$ 51,105</u>
Due to related parties		
MMC	\$ (56,321)	\$ (32,398)
MMC - Interest bearing demand loan	<u>(1,213,000)</u>	<u>(778,000)</u>
	<u>\$ (1,269,321)</u>	<u>\$ (810,398)</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.

MMC provides short-term financing to MBC Inc. in the form of an interest bearing, due on demand loan. During the year, MBC Inc. repaid \$nil and received \$435,000 in new loans, resulting in an outstanding balance as at December 31, 2021 of \$1,213,000 (2020 - \$778,000). Loans of this nature bear interest at 2%.

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. RELATED PARTY BALANCES AND TRANSACTIONS - Continued

Related Party Transactions

	2021	2020
MBC Inc. engaged with MBM in the following transactions:		
Administration revenue	\$ (188,886)	\$ (141,162)
Meals and accommodation revenue	(59,743)	(32,720)
Administration expense	32,586	72,036
MBC Inc. engaged with MMC in the following transactions:		
Rent expense	\$ 551,002	\$ 551,002
Interest expense	22,635	20,818
Administration revenue	(7,950)	(7,950)
MBC Inc. engaged with MBF in the following transactions:		
Administration revenue	\$ (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.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	\$ 127,881	\$ 27,415	\$ 100,466	\$ 105,753
Furniture and equipment	1,729,680	493,877	1,235,803	980,672
Trailers and vehicles	198,130	70,405	127,725	85,250
Sewage treatment system	57,560	14,123	43,437	39,645
Information technology	24,409	7,283	17,126	14,069
	\$ 2,137,660	\$ 613,103	\$ 1,524,557	\$ 1,225,389

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2021	2020
Trade payables	\$ 135,838	\$ 68,236
Trade accrued liabilities	146,615	31,773
Government remittances payable	<u>163,953</u>	<u>147,860</u>
	<u>\$ 446,406</u>	<u>\$ 247,869</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:

	2021	2020
Campground fees	\$ 862,909	\$ 905,498
Cottage service fees	140,394	134,962
Accommodation fees	<u>133,184</u>	<u>107,039</u>
	<u>\$ 1,136,487</u>	<u>\$ 1,147,499</u>

8. SHARE CAPITAL

Share capital consists of the following:

	2021	2020
Issued:		
100 Common Shares	<u>\$ 100</u>	<u>\$ 100</u>

9. GOVERNMENT ASSISTANCE

MBC Inc. received the following government assistance:

	2021	2020
Canada Emergency Wage Subsidy	\$ 213,263	\$ 591,589
Canada Summer Jobs Grant	85,617	42,336
Provincial COVID relief	<u>40,000</u>	<u>-</u>
	<u>\$ 338,880</u>	<u>\$ 633,925</u>

MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. 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:

	2021	2020
Net loss per financial statements	\$ 96,659	\$ 95,981
Decrease in taxable income resulting from:		
Accounting losses (gains)	(53,772)	(3,610)
Amortization in excess (deficiency) of capital cost allowance	<u>(222,610)</u>	<u>125,355</u>
Taxable income	\$ (179,723)	\$ 217,726
Non-capital losses applied to reduce taxable income	<u>-</u>	<u>(217,726)</u>
Carryforward Income Tax Benefit	<u>\$ (179,723)</u>	<u>\$ -</u>
Income Taxes	<u>\$ -</u>	<u>\$ -</u>

MBC Inc. has non-capital losses carried forward for income tax purposes in the amount of \$686,390 which expire in 2037 through 2041.

11. 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 \$90,219 at December 31, 2021 (2020 - \$nil).

12. 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, 2021:

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, 2021 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
DECEMBER 31, 2021

12. 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.

13. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. In many countries, including Canada, many businesses are being forced to cease or limit operations for extended or indefinite periods. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services, have triggered significant disruptions to businesses worldwide. MBC Inc., together with MBF, MMC and MBM, have been active in monitoring and assessing the impact of the pandemic on operations and have taken necessary steps to reduce expenditures where appropriate. It is not possible to reliably estimate the duration and severity of these consequences as well as their potential impact on the financial position and results of operations for MBC Inc. and the others in the group in future periods.