
MUSKOKA MINISTRY CENTRE
NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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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 non-consolidated statement of financial position as at December 31, 2022 and the non-consolidated statement of operations, non-consolidated statement of changes in general fund balance and non-consolidated statement of cash flows for the year then ended and notes to the non-consolidated 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, 2022 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 non-consolidated 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 non-consolidated 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 non-consolidated financial

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 non-consolidated 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 Non-Consolidated 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 non-consolidated financial statements.

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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

March 30, 2023

MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31,	2022	2021
ASSETS		
Current		
Cash	\$ 137,919	\$ -
Accounts receivable	2,000	-
Prepaid expenses	7,378	7,228
Due from related parties (Note 7)	<u>2,111,398</u>	<u>2,245,383</u>
	\$ 2,258,695	\$ 2,252,611
Capital Assets (Note 2)	11,059,470	10,886,466
Long-Term Investment (Note 3)	<u>100</u>	<u>100</u>
	<u>\$ 13,318,265</u>	<u>\$ 13,139,177</u>

LIABILITIES

Current		
Bank indebtedness (Note 4)	\$ -	\$ 561,587
Accounts payable and accrued liabilities (Note 5)	20,760	29,269
Due to related parties (Note 7)	229,852	210,000
Bond payable to related party (Note 7)	<u>1,775,151</u>	<u>1,775,151</u>
	\$ 2,025,763	\$ 2,576,007
Long-Term Debt (Note 6)	<u>1,000</u>	<u>1,000</u>
	\$ 2,026,763	\$ 2,577,007
GENERAL FUND	<u>11,291,502</u>	<u>10,562,170</u>
	<u>\$ 13,318,265</u>	<u>\$ 13,139,177</u>

Approved by the Board:



Director



Director

MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED STATEMENT OF CHANGES IN GENERAL FUND BALANCE

For the year ended December 31,

2022

2021

BALANCE - Beginning	\$ 10,562,170	\$ 10,023,247
Excess of revenues over expenses	<u>729,332</u>	<u>538,923</u>
BALANCE - Ending	<u>\$ 11,291,502</u>	<u>\$ 10,562,170</u>

See accompanying notes

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MUSKOKA MINISTRY CENTRE
NON-CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31,	2022	2021
REVENUES		
Rental income (Note 7)	\$ 917,304	\$ 738,402
Gain on sale of land	22,844	-
Interest on loans to related parties (Note 7)	19,213	30,272
Miscellaneous income (Note 7)	510	10,555
	<u>\$ 959,871</u>	<u>\$ 779,229</u>
EXPENSES		
Property taxes	\$ 38,644	\$ 37,858
Interest on long-term debt (Note 7)	17,782	31,019
Administration (Note 7)	14,898	13,950
Bank charges and credit card fees	4,799	2,829
Interest on loans from related parties (Note 7)	2,100	4,200
	<u>\$ 78,223</u>	<u>\$ 89,856</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	\$ 881,648	\$ 689,373
Amortization	<u>152,316</u>	<u>150,450</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 729,332</u>	<u>\$ 538,923</u>

See accompanying notes

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MUSKOKA MINISTRY CENTRE

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31,

2022

2021

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

OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 729,332	\$ 538,923
Items not affecting cash:		
Gain on sale of land	(22,844)	-
Amortization	152,316	150,450
	<u>\$ 858,804</u>	<u>\$ 689,373</u>

Net change in non-cash working capital balances:

Prepaid expenses	\$ (150)	\$ (214)
Accounts receivable	(2,000)	-
Accounts payable and accrued liabilities	(8,509)	(18,755)
	<u>\$ (10,659)</u>	<u>\$ (18,969)</u>
	<u>\$ 848,145</u>	<u>\$ 670,404</u>

INVESTING ACTIVITIES

Net proceeds from sale of land	\$ 26,167	\$ -
Purchase of capital assets	(328,643)	(117,119)
Decrease in demand loans due from related parties	(368,000)	(595,000)
	<u>\$ (670,476)</u>	<u>\$ (712,119)</u>

FINANCING ACTIVITIES

Increase (decrease) in due from related parties	\$ 501,985	\$ (521,081)
Increase (decrease) in due to related parties	19,852	(5,350)
Bond repayments	-	(871,700)
Bond issuance to related party	-	549,372
	<u>\$ 521,837</u>	<u>\$ (848,759)</u>

INCREASE (DECREASE) IN CASH

\$ 699,506 \$ (890,474)

CASH (BANK INDEBTEDNESS) - Beginning

(561,587) 328,887

CASH (BANK INDEBTEDNESS) - Ending

\$ 137,919 \$ (561,587)

See accompanying notes

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MUSKOKA MINISTRY CENTRE

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 help grow resilient, biblically rooted families to the glory of God. 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 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.

MUSKOKA MINISTRY CENTRE
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its net carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

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**

Initial Measurement

MMC initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with MMC is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by MMC in the transaction.

MUSKOKA MINISTRY CENTRE
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

i) **Financial Instruments** - Continued

Subsequent Measurement

MMC subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include 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.

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.

j) **Long-Term Investment**

MMC exercises significant influence over the subsidiary. The investment in the subsidiary is accounted for using the equity method.

2. **CAPITAL ASSETS**

Capital assets consist of the following:

	2022		2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 5,213,620	\$ -	\$ 5,213,620	\$ 5,216,944
Land improvements	88,111	29,755	58,356	48,194
Buildings	7,539,762	1,813,537	5,726,225	5,553,251
Furniture, equipment and recreation	<u>107,956</u>	<u>46,687</u>	<u>61,269</u>	<u>68,077</u>
	<u>\$ 12,949,449</u>	<u>\$ 1,889,979</u>	<u>\$ 11,059,470</u>	<u>\$ 10,886,466</u>

MUSKOKA MINISTRY CENTRE
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3. LONG-TERM INVESTMENT

The long-term investment consists of the following:

	2022	2021
Shares in Muskoka Bible Centre Inc., a subsidiary company, 100% of voting shares	<u>\$ 100</u>	<u>\$ 100</u>

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. Muskoka Bible Foundation, Muskoka Bible Centre Inc. and Muskoka Bible Ministries are listed as guarantors and, 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, \$Nil (2021 - \$90,219) was owing with respect to this credit facility.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2022	2021
Government remittances payable	\$ 16,730	\$ 20,825
Other accrued liabilities	4,000	8,444
Accounts payable	<u>30</u>	<u>-</u>
	<u>\$ 20,760</u>	<u>\$ 29,269</u>

6. LONG-TERM DEBT

Long-term debt consists of the following:

	2022	2021
Life interest agreements	<u>\$ 1,000</u>	<u>\$ 1,000</u>

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.

MUSKOKA MINISTRY CENTRE
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
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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:

	2022	2021
Due from related parties		
MBC Inc. - Interest bearing demand loan	\$ 700,000	\$ 1,213,000
MBC Inc.	43,007	56,321
MBM - Interest bearing demand loan	1,337,000	456,000
MBM	31,391	25,283
MBF	-	494,779
	<u>\$ 2,111,398</u>	<u>\$ 2,245,383</u>
Due to related parties		
MBF	\$ (19,852)	\$ -
MBF - Interest bearing demand loan	<u>(210,000)</u>	<u>(210,000)</u>
	<u>\$ (229,852)</u>	<u>\$ (210,000)</u>
Bond payable to MBF, secured by property, bearing interest at 1% (2021 - 1%), due on demand	<u>\$ (1,775,151)</u>	<u>\$ (1,775,151)</u>

With the exception of the interest bearing demand loans and bond payable, 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 \$723,000 and received \$210,000 in new loans, resulting in an outstanding balance as at December 31, 2022 of \$700,000 (2021 - \$1,213,000). Loans of this nature bear interest at 2%.

MMC provides short-term financing to MBM in the form of an interest bearing, due on demand loan. During the year, MBM repaid \$nil and received \$881,000 in new loans, resulting in an outstanding balance as at December 31, 2022 of \$1,337,000 (2021 - \$456,000). Loans of this nature bear interest at 1%.

MUSKOKA MINISTRY CENTRE
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
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7. RELATED PARTY BALANCES AND TRANSACTIONS - Continued

MBF provides short-term financing to MMC in the form of an interest bearing, due on demand loan. The outstanding balance as at December 31, 2022 was \$210,000 (2021 - \$210,000). Loans of this nature bear interest at 2%.

MMC engaged with related parties in the following transactions:

	2022	2021
Rent charged to:		
MBC Inc.	\$ 692,404	\$ 551,002
MBM	<u>224,900</u>	<u>187,400</u>
	<u>\$ 917,304</u>	<u>\$ 738,402</u>
Interest on demand loans charged to:		
MBM	\$ 10,212	\$ 7,637
MBC Inc.	<u>9,001</u>	<u>22,635</u>
	<u>\$ 19,213</u>	<u>\$ 30,272</u>
Interest expense on demand loan from MBF	<u>\$ 2,100</u>	<u>\$ 4,200</u>
Interest expense on bonds held by MBF	<u>\$ 17,752</u>	<u>\$ 12,258</u>
Administration costs charged from MBC Inc.	<u>\$ 8,250</u>	<u>\$ 7,950</u>

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 MINISTRY CENTRE

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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8. DISCLOSURE OF UNCONSOLIDATED CONTROLLED ENTITIES

MMC controls a wholly owned subsidiary, Muskoka Bible Centre Inc. ("MBC 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. has not been consolidated in MMC's financial statements. Financial statements for MBC Inc. are available on request. Summary financial statements for this unconsolidated entity as at December 31, 2022 and 2021 and for the years then ended are as follows:

	2022	2021
Financial Position		
Total assets	<u>\$ 2,150,162</u>	<u>\$ 2,424,129</u>
Total liabilities	\$ 2,368,682	\$ 2,852,214
Total shareholders' equity	<u>(218,620)</u>	<u>(428,085)</u>
	<u>\$ 2,150,062</u>	<u>\$ 2,424,129</u>
Results of operations		
Total revenues	\$ 4,573,129	\$ 4,009,218
Total expenses	<u>4,363,564</u>	<u>3,912,559</u>
Net income	<u>\$ 209,565</u>	<u>\$ 96,659</u>
Cash flows		
Cash from operating activities	\$ 332,749	\$ 435,136
Cash used in investing activities	(55,867)	(399,300)
Cash from (used in) financing activities	<u>(582,797)</u>	<u>478,789</u>
Increase (decrease) in cash	<u>\$ (305,915)</u>	<u>\$ 514,625</u>

MUSKOKA MINISTRY CENTRE

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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9. 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, 2022:

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.