
MUSKOKA BIBLE CENTRE INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Directors of
Muskoka Bible Centre Inc.
HUNTSVILLE
Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of Muskoka Bible Centre Inc. which comprise the balance sheet as at December 31, 2016 and the statements of operations, deficit and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Muskoka Bible Centre Inc. as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.



NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
March 30, 2017

MUSKOKA BIBLE CENTRE INC.

BALANCE SHEET

As at December 31,

2016

2015

ASSETS

Current

Cash	\$ 222,482	\$ 133,678
Accounts receivable (Note 2)	49,876	34,093
Inventories (Note 3)	112,717	93,084
Prepaid expenses	3,975	8,454
Due from related parties (Note 4)	71,255	5,000
	<u>\$ 460,305</u>	<u>\$ 274,309</u>

Property and Equipment (Note 5)

	<u>548,538</u>	<u>472,380</u>
	<u>\$ 1,008,843</u>	<u>\$ 746,689</u>

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 6)	\$ 136,781	\$ 72,650
Deferred revenue (Note 7)	876,194	716,241
Due to related party (Note 4)	24,311	629
	<u>\$ 1,037,286</u>	<u>\$ 789,520</u>

SHAREHOLDERS' EQUITY

Share Capital (Note 8)	\$ 100	\$ 100
Deficit	<u>(28,543)</u>	<u>(42,931)</u>
	<u>\$ (28,443)</u>	<u>\$ (42,831)</u>
	<u>\$ 1,008,843</u>	<u>\$ 746,689</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,

2016**2015**

BALANCE - Beginning	\$ (42,931)	\$ (11,083)
Net income (loss)	<u>14,388</u>	<u>(31,848)</u>
BALANCE - Ending	<u>\$ (28,543)</u>	<u>\$ (42,931)</u>

See accompanying notes

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

For the year ended December 31,

2016**2015**

REVENUES

Campground, marina, and cottage fees	\$ 1,214,427	\$ 1,151,016
Foodservice revenue	908,963	866,336
Accommodation revenue	762,117	750,047
Bookstore	158,671	180,645
Camp Widjiitiwin	135,810	153,966
Recreation/program revenue	79,181	74,441
Administration fees	60,973	60,377
Gain on sale of capital assets	4,906	-
	<u>\$ 3,325,048</u>	<u>\$ 3,236,828</u>

EXPENSES

Accommodation, food, campground, and marina	\$ 1,073,662	\$ 1,083,447
Administration	1,018,001	976,576
Maintenance	655,487	632,217
Camp Widjiitiwin	303,981	296,371
Bookstore	124,487	139,934
Bank charges and credit card fees	76,716	81,779
Loss on sale of assets	-	1,412
	<u>\$ 3,252,334</u>	<u>\$ 3,211,736</u>

INCOME BEFORE AMORTIZATION**\$ 72,714** **\$ 25,092**

Amortization of property and equipment

58,326 56,940**NET INCOME (LOSS)**\$ 14,388 \$ (31,848)

See accompanying notes

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

For the year ended December 31,

2016**2015**

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

Net Income (loss)	\$	14,388	\$	(31,848)
Items not affecting cash:				
Loss (gain) on disposal of property and equipment		(4,906)		1,412
Amortization of property and equipment		58,326		56,940
	\$	67,808	\$	26,504

Net change in non-cash working capital balances:

Accounts receivable	\$	(15,783)	\$	26,026
Inventories		(19,633)		14,999
Prepaid expenses		4,479		(5,087)
Due from related parties		(66,255)		13,867
Accounts payable and accrued liabilities		64,131		19,216
Deferred revenue		159,953		43,432
Due to related party		23,682		629
	\$	150,574	\$	113,082
	\$	218,382	\$	139,586

INVESTING ACTIVITIES

Purchase of property and equipment	\$	(135,810)	\$	(93,514)
Disposal of property and equipment		6,232		20,187
	\$	(129,578)	\$	(73,327)

INCREASE IN CASH\$ **88,804** \$ 66,259**CASH - Beginning**133,678 67,419**CASH - Ending**\$ 222,482 \$ 133,678

See accompanying notes

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MUSKOKA BIBLE CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 specifically identified 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 methods:

	<u>Rate</u>	<u>Method</u>
Land improvements	5%	declining balance
Furniture and equipment	10%	declining balance
Trailers and vehicles	20%	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.
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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:

	2016	2015
Trade accounts receivable	\$ 50,375	\$ 35,458
Allowance for doubtful accounts	<u>(499)</u>	<u>(1,365)</u>
	<u>\$ 49,876</u>	<u>\$ 34,093</u>

3. **INVENTORIES**

Inventories consist of the following:

	2016	2015
Bookstore	\$ 81,695	\$ 70,752
Food, tuck, and other	<u>31,022</u>	<u>22,332</u>
	<u>\$ 112,717</u>	<u>\$ 93,084</u>

Inventories expensed for the year ended December 31, 2016 was \$597,031 (2015 - \$611,077).

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")	Controlled by the same board of directors
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:

	2016	2015
Due from related parties		
MBM	\$ 71,196	\$ 5,000
MBF	<u>59</u>	<u>-</u>
	<u>\$ 71,255</u>	<u>\$ 5,000</u>
Due to related party		
MMC	<u>\$ (24,311)</u>	<u>\$ (629)</u>

All amounts due from (to) related parties are non-interest bearing and have no specified terms of repayment.

Related Party Transactions

MBC Inc. engaged with MBM in the following transactions:

	2016	2015
Ministry fee expense	\$ 56,290	\$ 50,755
Administration expense	27,363	27,096
Spring staff salaries and wages expense	18,054	16,127
Meals and accommodation revenue	(77,042)	(70,926)
Salaries and benefits revenue	(20,323)	(19,727)
Administration revenue	(18,600)	(18,600)

MBC Inc. engaged with MMC in the following transactions:

Rent expense	\$ 311,051	\$ 303,846
Administration revenue	(7,950)	(7,950)
Interest expense	137	629

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4. RELATED PARTY BALANCES AND TRANSACTIONS - Continued

MBC Inc. engaged with MBF in the following transactions:

Administration revenue	\$ (14,100)	\$ (14,100)
Interest expense	894	-

These transactions were 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.

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 \$130,000. Loans of this nature bear interest at 1%. The balance outstanding as at December 31, 2016 was \$nil (2015 - \$nil).

During the year MMC provided short-term financing to MBC Inc. in the form of an interest bearing, due on demand loan in the amount of \$100,000. Loans of this nature bear interest at 1%. The balance outstanding as at December 31, 2016 was \$nil (2015 - \$nil).

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land improvements	\$ 39,455	\$ 4,300	\$ 35,155	\$ 36,094
Furniture and equipment	557,515	101,612	455,903	384,841
Trailers and vehicles	86,144	30,424	55,720	49,245
Information technology	3,055	1,295	1,760	2,200
	<u>\$ 686,169</u>	<u>\$ 137,631</u>	<u>\$ 548,538</u>	<u>\$ 472,380</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	<u>2016</u>	<u>2015</u>
Trade payables	\$ 80,039	\$ 30,963
Trade accrued liabilities	30,856	21,754
Government remittances payable	<u>25,886</u>	<u>19,933</u>
	<u>\$ 136,781</u>	<u>\$ 72,650</u>

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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:

	2016	2015
Campground fees	\$ 770,927	\$ 620,594
Cottage service fees	4,474	4,742
Accommodation fees	<u>100,793</u>	<u>90,905</u>
	<u>\$ 876,194</u>	<u>\$ 716,241</u>

8. SHARE CAPITAL

Share capital consists of the following:

	2016	2015
Issued:		
100 Common Shares	<u>\$ 100</u>	<u>\$ 100</u>

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:

	2016	2015
Net Income (loss) per financial statements	\$ 14,388	\$ (31,848)
Decrease in taxable income resulting from:		
Accounting losses (gains)	(4,906)	1,412
Capital cost allowance in excess of amortization	<u>(38,477)</u>	<u>(40,364)</u>
Taxable Income	<u>\$ (28,995)</u>	<u>\$ (70,800)</u>

MBC Inc. has non-capital losses carried forward for income tax purposes in the amount of \$127,489 which expire in 2034 through 2036.

MUSKOKA BIBLE CENTRE INC.
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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 \$400,000, the balance of which was \$nil at December 31, 2016 (2015 - \$95,612).

11. FINANCIAL INSTRUMENTS

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, 2016:

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, 2016 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.

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 not significantly exposed to these risks.