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**MUSKOKA BIBLE MINISTRIES**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Directors of  
Muskoka Bible Ministries  
HUNTSVILLE  
Ontario

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Muskoka Bible Ministries which comprise the statement of financial position as at December 31, 2016 and the statements of operations and changes in net assets 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 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.

### *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 auditors' 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 the 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 the 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 Ministries 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 not-for-profit organizations.



NORTON McMULLEN LLP  
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada  
March 30, 2017

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# MUSKOKA BIBLE MINISTRIES

## STATEMENT OF FINANCIAL POSITION

As at December 31,

2016

2015

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### ASSETS

#### Current

Cash	\$ 153,829	\$ 177,833
Accounts receivable	-	495
HST refundable	20,753	14,471
Due from related parties (Note 3)	293,213	-
Prepaid expenses	7,503	19,762

\$ 475,298    \$ 212,561

#### Capital Assets (Note 2)

90,038    55,131

\$ 565,336    \$ 267,692

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### LIABILITIES

#### Current

Accounts payable and accrued liabilities	\$ 7,500	\$ 6,454
Due to related parties (Note 3)	76,335	17,581

\$ 83,835    \$ 24,035

#### NET ASSETS

481,501    243,657

\$ 565,336    \$ 267,692

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#### Contingencies (Note 5)

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Approved by the Board:



Director



Director

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# MUSKOKA BIBLE MINISTRIES

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31,

2016

2015

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### REVENUES

Donations	\$ 916,441	\$ 674,249
Ministry fee revenue	<u>56,290</u>	<u>50,755</u>
	<u>\$ 972,731</u>	<u>\$ 725,004</u>

### EXPENSES

MBC ministry	\$ 568,359	\$ 598,816
Administration, utilities and maintenance	65,223	42,390
Rent	56,720	33,364
Widjiitiwin ministry	27,318	28,644
Amortization	<u>15,323</u>	<u>8,466</u>
	<u>\$ 732,943</u>	<u>\$ 711,680</u>

### EXCESS OF REVENUES OVER EXPENSES

\$ 239,788 \$ 13,324

### NET ASSETS - Beginning

243,657 230,333

Adjustment due to amalgamation with Bible Centre Ministries

(1,944) -

### NET ASSETS - Ending

\$ 481,501 \$ 243,657

See accompanying notes

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# MUSKOKA BIBLE MINISTRIES

## STATEMENT OF CASH FLOWS

For the year ended December 31,

2016

2015

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

#### OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 239,788	\$ 13,324
Items not affecting cash:		
Adjustment due to continuance	(1,944)	-
Amortization	15,323	8,466
	<u>\$ 253,167</u>	<u>\$ 21,790</u>

#### Net change in non-cash working capital balances:

Accounts receivable	495	(495)
HST refundable	(6,282)	3,343
Prepaid expenses	12,259	4,394
Accounts payable and accrued liabilities	1,046	149
	<u>\$ 260,685</u>	<u>\$ 29,181</u>

#### INVESTING ACTIVITIES

Purchase of capital assets	<u>\$ (50,230)</u>	<u>\$ (34,467)</u>
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#### FINANCING ACTIVITIES

Due from related party	\$ (293,213)	\$ 12,617
Due to related parties	58,754	(136,186)
	<u>\$ (234,459)</u>	<u>\$ (123,569)</u>

#### DECREASE IN CASH

	\$ (24,004)	\$ (128,855)
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CASH - Beginning

	<u>177,833</u>	<u>306,688</u>
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CASH - Ending

	<u>\$ 153,829</u>	<u>\$ 177,833</u>
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See accompanying notes

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**MUSKOKA BIBLE MINISTRIES**  
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**NATURE OF OPERATIONS**

Muskoka Bible Ministries ("MBM") was incorporated without share capital by letters of patent under the Canada Corporations Act on July 4, 2013. On December 23, 2016, MBM amalgamated with Bible Centre Ministries ("BCM"), a related party and registered charity. At this time, MBM adopted BCM's existing registered charity status 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.

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

**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. Significant estimates include the estimated useful life of capital assets.

**b) Revenue Recognition**

MBM 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 received or receivable if the amount to be received can be reasonable estimated and collection is reasonable assured.

Ministry fee revenue is recognized when events and sessions are completed. Deposits received for events and sessions in subsequent years are recorded as deferred revenue and recognized as revenue once the related events and sessions are completed.

**c) Cash and Cash Equivalents**

Cash and cash equivalents includes cash held in the bank account.

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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

d) **Capital Assets**

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets using the following annual rates and methods:

	<u>Rate</u>	<u>Method</u>
Computer and AV equipment	20%	declining balance
Furniture and fixtures	10%	declining balance
Trailers	20%	declining balance

e) **Impairment of Capital Assets**

When a capital asset no longer has any long-term service potential to MBM, the excess of its net carrying amount over any residual value is recognized as an expense.

f) **Financial Instruments**

**Measurement of Financial Instruments**

MBM 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 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.

MBM 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.

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**2. CAPITAL ASSETS**

Capital assets consist of the following:

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer and AV equipment	\$ 58,456	\$ 20,161	\$ 38,295	\$ 47,869
Furniture and fixtures	8,673	2,138	6,535	7,262
Trailers	50,231	5,023	45,208	-
	<u>\$ 117,360</u>	<u>\$ 27,322</u>	<u>\$ 90,038</u>	<u>\$ 55,131</u>

**3. RELATED PARTY BALANCES AND TRANSACTIONS**

The following related parties have engaged in transactions with BCM:

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 Foundation ("MBF")	Controlled by the same board of directors

Amounts owing from related parties consist of the following:

	2016	2015
Due from related parties		
MBF	<u>\$ 293,213</u>	<u>\$ -</u>

Amounts owing to related parties consist of the following:

Due to related parties		
MBC Inc.	\$ 71,196	\$ 13,451
MMC	5,139	3,023
MBF	-	1,107
	<u>\$ 76,335</u>	<u>\$ 17,581</u>

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



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3. **RELATED PARTY BALANCES AND TRANSACTIONS** - Continued

MBM engaged with MMC in the following transactions:

	<b>2016</b>	2015
Rent expense	\$ <b>54,570</b>	\$ 32,100

MBM engaged with MBC Inc. in the following transactions:

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

MBM engaged with MBF in the following transactions:

Donation revenue	\$ <b>916,441</b>	\$ 674,249
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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.

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**4. FINANCIAL INSTRUMENTS**

**Risks and Concentrations**

MBM is exposed to various risks through its financial instruments. The following analysis provides a summary of BCM'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 financial loss for the other party by failing to discharge an obligation. MBM is not significantly exposed to 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 MBM will encounter difficulty in meeting obligations associated with financial liabilities. MBM is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. MBM 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. MBM is not significantly exposed to market risk. There has been no change in the assessment of market risk from the prior year.

**5. CONTINGENCIES**

MBM 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).