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**MUSKOKA MINISTRY CENTRE**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Directors of  
Muskoka Ministry Centre  
HUNTSVILLE  
Ontario

### *Report on the Financial Statements*

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, 2016 and the non-consolidated statements of operations, general fund balance 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 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 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 non-consolidated 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 non-consolidated 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 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 non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Muskoka Ministry Centre as at December 31, 2016 and the non-consolidated 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 MINISTRY CENTRE

## NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31,

2016

2015

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### ASSETS

#### Current

Cash	\$ 42,437	\$ -
Cash reserved for future bond redemptions	69	56
HST recoverable	-	17,357
Prepaid expenses	7,482	7,304
Due from related parties (Note 8)	34,566	692
	<u>\$ 84,554</u>	<u>\$ 25,409</u>

#### Capital Assets (Note 2)

11,342,411 11,300,510

#### Long-Term Investment (Note 3)

100 100

\$ 11,427,065 \$ 11,326,019

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### LIABILITIES

#### Current

Bank indebtedness	\$ -	\$ 68,253
Accounts payable and accrued liabilities (Note 5)	144,097	120,525
Current portion of long-term debt (Note 6)	951,100	581,300
Note payable (Note 7)	100,000	200,000
Due to related parties (Note 8)	256,538	-
	<u>\$ 1,451,735</u>	<u>\$ 970,078</u>

#### Long-Term Debt (Note 6)

1,775,600 2,169,700

\$ 3,227,335 \$ 3,139,778

#### GENERAL FUND

8,199,730 8,186,241

\$ 11,427,065 \$ 11,326,019

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Approved by the Board:



Director



Director

See accompanying notes

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# MUSKOKA MINISTRY CENTRE

## NON-CONSOLIDATED STATEMENT OF GENERAL FUND BALANCE

For the year ended December 31,

2016

2015

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<b>BALANCE - Beginning</b>	<b>\$ 8,186,241</b>	<b>\$ 8,199,840</b>
Excess (deficiency) of revenues over expenses	<u>13,489</u>	<u>(13,599)</u>
<b>BALANCE - Ending</b>	<b><u>\$ 8,199,730</u></b>	<b><u>\$ 8,186,241</u></b>

See accompanying notes

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# MUSKOKA MINISTRY CENTRE

## NON-CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31,

2016

2015

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### REVENUES

Rental income	\$ 365,621	\$ 335,946
Interest on loans to related parties	-	692
	<u>\$ 365,621</u>	<u>\$ 336,638</u>

### EXPENSES

Interest on long-term debt	\$ 116,734	\$ 127,191
Property taxes	39,193	38,634
Recreation	13,977	6,489
Administration	11,882	16,034
Bank charges and credit card fees	10,746	5,251
Interest on loans from related parties	1,285	-
	<u>\$ 193,817</u>	<u>\$ 193,599</u>

### EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:

\$ 171,804 \$ 143,039

Amortization of capital assets

158,315 156,638

### EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

\$ 13,489 \$ (13,599)

See accompanying notes

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# MUSKOKA MINISTRY CENTRE

## NON-CONSOLIDATED 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 (deficiency) of revenues over expenses	\$ 13,489	\$ (13,599)
Items not affecting cash:		
Amortization	<u>158,315</u>	<u>156,638</u>
	<u>\$ 171,804</u>	<u>\$ 143,039</u>

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

HST recoverable	\$ 17,357	\$ (17,357)
Prepaid expenses	(178)	2
Accounts payable and accrued liabilities	<u>23,572</u>	<u>(10,481)</u>
	<u>\$ 40,751</u>	<u>\$ (27,836)</u>
	<u>\$ 212,555</u>	<u>\$ 115,203</u>

#### INVESTING ACTIVITIES

Purchase of capital assets	\$ (200,216)	\$ (218,227)
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#### FINANCING ACTIVITIES

Bond repayments	\$ (24,300)	\$ (144,100)
Decrease (increase) in due from related parties	(33,874)	139,308
Increase (decrease) in demand loan due to related parties	250,000	-
Increase (decrease) in due to related parties	6,538	(100)
Net change in cash reserved for future bond redemptions	(13)	15,202
Repayment of note payable	<u>(100,000)</u>	<u>-</u>
	<u>\$ 98,351</u>	<u>\$ 10,310</u>

#### INCREASE (DECREASE) IN CASH

\$ 110,690 \$ (92,714)

#### CASH (BANK INDEBTEDNESS) - Beginning

(68,253) 24,461

#### CASH (BANK INDEBTEDNESS) - Ending

\$ 42,437 \$ (68,253)

See accompanying notes

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# MUSKOKA MINISTRY CENTRE

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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 exalt Jesus Christ by renewing, connecting and equipping the family of God in the splendor of His creation. 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 and services.

#### b) Fund Accounting

The **General Fund**, which includes unrestricted resources, represents the portion of expendable funds that are 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.

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**MUSKOKA MINISTRY CENTRE**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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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 and equipment	10%

f) **Impairment of Capital Assets**

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

g) **Investments**

Investments in subsidiaries are recorded at cost. The Company 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.



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**MUSKOKA MINISTRY CENTRE**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

i) **Financial Instruments**

**Measurement of Financial Instruments**

MMC initially measures its financial assets and liabilities at fair value. MMC 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 cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, long-term debt, and the note payable.

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 (deficiency) 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.

2. **CAPITAL ASSETS**

Capital assets consist of the following:

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 5,215,000	\$ -	\$ 5,215,000	\$ 5,215,000
Land improvements	75,217	12,933	62,284	63,649
Buildings	6,974,837	942,242	6,032,595	6,002,217
Furniture and equipment	49,767	17,235	32,532	19,644
	\$12,314,821	\$ 972,410	\$11,342,411	\$11,300,510

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**MUSKOKA MINISTRY CENTRE**  
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**3. LONG-TERM INVESTMENT**

The long-term investment consists of the following:

	2016	2015
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 \$400,000) that bears interest at prime plus 0.75% with interest only payable monthly. 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 (2015 - \$95,612) was owing with respect to this credit facility.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following:

	2016	2015
Accounts payable	\$ 23,600	\$ 2,370
Government remittances payable	8,675	-
Accrued bond interest	107,822	114,655
Other accrued liabilities	<u>4,000</u>	<u>3,500</u>
	<u>\$ 144,097</u>	<u>\$ 120,525</u>

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**MUSKOKA MINISTRY CENTRE**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. LONG-TERM DEBT**

Long-term debt consists of the following:

	2016	2015
Bonds payable	\$ 2,725,700	\$ 2,750,000
Life interest agreements	<u>1,000</u>	<u>1,000</u>
	\$ 2,726,700	\$ 2,751,000
Less: Current portion of bonds payable	<u>(951,100)</u>	<u>(581,300)</u>
	<u>\$ 1,775,600</u>	<u>\$ 2,169,700</u>

The bonds payable mature at various dates between 2017 and 2022 with interest rates ranging from 1% to 5.5%. Interest is paid on January 1 of each year or at the time of redemption.

Principal payments required on the bonds payable over the next six years are as follows:

2017	\$ 951,100
2018	536,100
2019	283,500
2020	533,000
2021	372,000
2022	<u>50,000</u>
	<u>\$ 2,725,700</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.

All bonds issued by MMC are secured by a \$5,500,000 second position charge against MMC's real property having a net book value of \$11,309,879 (2015 - \$11,280,866).

**7. NOTE PAYABLE**

The note payable consists of a \$100,000 (2015 - \$200,000) note to the Fellowship of Evangelical Baptist Churches in Canada, due April 30, 2017, and bearing interest at 4%.

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**MUSKOKA MINISTRY CENTRE**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. 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:

	<b>2016</b>	2015
Due from related parties		
MBC Inc.	\$ 29,428	\$ 629
MBM	<u>5,139</u>	<u>63</u>
	<u>\$ 34,566</u>	<u>\$ 692</u>
Due to related parties		
MBC Inc.	\$ 5,116	\$ -
MBF	1,422	-
MBF - Interest bearing demand loan	<u>250,000</u>	<u>-</u>
	<u>\$ 256,538</u>	<u>\$ -</u>

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 \$250,000. Loans of this nature bear interest at 1%. The balance outstanding as at December 31, 2016 was \$250,000 (2015 - \$nil).

MMC engaged with related parties in the following transactions:

	<b>2016</b>	2015
Rent charged to:		
MBC Inc.	\$ 311,051	\$ 303,846
MBM	54,570	32,100
Interest on loans charged to:		
MBC Inc.	\$ 137	\$ 629
MBM	-	63
Interest expense on loan from MBF:	\$ 1,422	\$ -
Administration costs charged from MBC Inc.:	\$ 7,950	\$ 7,950

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.

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# MUSKOKA MINISTRY CENTRE

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

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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, 2016:

##### 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 long-term debt, the note payable and accounts payable. 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 6 and 7, MMC is exposed to interest rate risk with respect to its long-term debt and note payable. 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.