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**MUSKOKA BIBLE CENTRE INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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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, 2014 and the statements of earnings, retained earnings (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, 2014 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*

NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Canada  
April 7, 2015

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# MUSKOKA BIBLE CENTRE INC.

## BALANCE SHEET

As at December 31,

2014

2013

(Unaudited)

### ASSETS

#### Current

Cash	\$ 67,419	\$ -
Accounts receivable (Note 2)	60,119	-
Inventories (Note 3)	108,083	-
Prepaid expenses	3,367	-
Due from related parties (Note 4)	18,867	-
	<u>\$ 257,855</u>	<u>\$ -</u>

#### Property and Equipment (Note 5)

	<u>457,405</u>	<u>-</u>
	<u>\$ 715,260</u>	<u>\$ -</u>

### LIABILITIES

#### Current

Accounts payable and accrued liabilities (Note 6)	\$ 53,434	\$ -
Deferred revenue (Note 7)	672,809	-
	<u>\$ 726,243</u>	<u>\$ -</u>

### SHAREHOLDERS' EQUITY

Share Capital (Note 8)	\$ 100	\$ -
Retained Earnings (Deficit)	<u>(11,083)</u>	<u>-</u>
	<u>\$ 715,260</u>	<u>\$ -</u>

### Contingencies (Note 10)

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Approved by the Board:



Director



Director

See accompanying notes

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**MUSKOKA BIBLE CENTRE INC.****STATEMENT OF RETAINED EARNINGS (DEFICIT)**

For the year ended December 31,

**2014****2013**

(Unaudited)

<b>BALANCE - Beginning</b>	\$ -	\$ -
Excess (deficiency) of revenue over expenses	<u>(11,083)</u>	<u>-</u>
<b>BALANCE - Ending</b>	<u>\$ (11,083)</u>	<u>\$ -</u>

See accompanying notes

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

For the year ended December 31,

**2014****2013**

(Unaudited)

**REVENUES**

Campground, marina, and cottage fees	\$ 1,098,078	\$ -
Foodservice revenue	820,051	-
Accommodation revenue	723,382	-
Bookstore	175,092	-
Camp Widjiitiwin	160,164	-
Administration fees (Note 4)	60,377	-
Recreation/program revenue	11,835	-
	<u>\$ 3,048,979</u>	<u>\$ -</u>

**EXPENSES**

Accommodation, food, campground, and marina	\$ 954,296	\$ -
Administration	952,201	-
Maintenance	624,778	-
Camp Widjiitiwin	281,674	-
Bookstore	147,067	-
Bank charges and credit card fees	65,153	-
Loss on sale of assets	3,332	-
	<u>\$ 3,028,501</u>	<u>\$ -</u>

**INCOME BEFORE AMORTIZATION**

	\$ 20,478	\$ -
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Amortization of property and equipment

	<u>31,561</u>	<u>-</u>
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**NET INCOME (LOSS)**

	<u>\$ (11,083)</u>	<u>\$ -</u>
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See accompanying notes

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

For the year ended December 31,

2014

2013

(Unaudited)

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

Excess (deficiency) of revenue over expenses	\$ (11,083)	\$ -
Items not involving cash flows:		
Loss on sale of assets	3,332	-
Amortization	31,561	-
	<u>\$ 23,810</u>	<u>\$ -</u>

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

Accounts receivable	\$ (60,119)	\$ -
Inventories	(108,083)	-
Prepaid expenses	(3,367)	-
Due from related parties	(18,867)	-
Accounts payable and accrued liabilities	53,434	-
Deferred revenue	672,809	-
	<u>\$ 535,807</u>	<u>\$ -</u>
	<u>\$ 559,617</u>	<u>\$ -</u>

**INVESTING ACTIVITIES**

Purchase of property and equipment	\$ (524,498)	\$ -
Disposal of property and equipment	32,200	-
	<u>\$ (492,298)</u>	<u>\$ -</u>

**FINANCING ACTIVITIES**

Issuance of share capital	\$ 100	\$ -
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**INCREASE IN CASH AND CASH EQUIVALENTS**

\$ 67,419	\$ -
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**CASH AND CASH EQUIVALENTS - Beginning**

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**CASH AND CASH EQUIVALENTS - Ending**

<u>\$ 67,419</u>	<u>\$ -</u>
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See accompanying notes

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**MUSKOKA BIBLE CENTRE INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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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"), Bible Centre Ministries ("BCM"), 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.

**b) Cash and Cash Equivalents**

Cash and cash equivalents include cash held in MBC Inc.'s bank account.

**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.

**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

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**MUSKOKA BIBLE CENTRE INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

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 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) **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.



**MUSKOKA BIBLE CENTRE INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**2. ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	<b>2014</b>	2013 (Unaudited)
Trade accounts receivable	\$ <b>68,041</b>	\$ -
Allowance for doubtful accounts	<u>(7,922)</u>	<u>-</u>
	<u>\$ <b>60,119</b></u>	<u>\$ -</u>

**3. INVENTORIES**

Inventories consist of the following:

	<b>2014</b>	2013 (Unaudited)
Bookstore	\$ <b>84,722</b>	\$ -
Food, tuck, and other	<u>23,361</u>	<u>-</u>
	<u>\$ <b>108,083</b></u>	<u>\$ -</u>

Inventories expensed for the year ended December 31, 2014 was \$565,067 (2013 - \$nil)

**4. RELATED PARTY TRANSACTIONS AND BALANCES**

The following related parties have engaged in transactions with MBC Inc.:

Muskoka Ministry Centre ("MMC")	Parent company
Bible Centre Ministries ("BCM")	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

Amounts due to (from) related parties are as follows:

	<b>2014</b>	2013 (Unaudited)
BCM	\$ <b>13,767</b>	\$ -
MBM	<b>5,000</b>	-
MMC	<u>100</u>	<u>-</u>
	<u>\$ <b>18,867</b></u>	<u>\$ -</u>

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

**MUSKOKA BIBLE CENTRE INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. RELATED PARTY TRANSACTIONS AND BALANCES - Continued**

MMC provides short-term financing to MBC Inc. in the form of interest bearing, due on demand loans. These loans bear interest at 3%. The balance outstanding as at December 31, 2014 was \$nil (2013 - \$nil)

MBC Inc. engaged with related parties in the following transactions:

	<b>2014</b>	2013 (Unaudited)
Administration fees revenue from:		
BCM	\$ 38,327	\$ -
MBF	14,100	-
MMC	<u>7,950</u>	<u>-</u>
	<u>\$ 60,377</u>	<u>\$ -</u>
MMC - Rent	<u>\$ 303,846</u>	<u>\$ -</u>
MMC - Interest paid on loans	<u>\$ 167</u>	<u>\$ -</u>
BCM - Meals and accommodation revenue	<u>\$ 74,961</u>	<u>\$ -</u>

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.

MBC Inc. purchased assets and liabilities from MMC required to carry out MBC Inc.'s operations.

The value of assets and liabilities purchased and the resulting net receivable is as follows:

	<b>2014</b>	2013 (Unaudited)
Furniture and equipment	\$ 383,430	\$ -
Inventories	88,389	-
Accounts receivable	68,981	-
Prepaid expenses	4,487	-
Cash	844	-
Deferred liabilities	(672,333)	-
Other liabilities	<u>(93)</u>	<u>-</u>
	<u>\$ (126,295)</u>	<u>\$ -</u>

These transactions were not in the normal course of operations and have been measured at the carrying amount of the related assets and liabilities resulting in a net receivable from MMC.

**MUSKOKA BIBLE CENTRE INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>2014</b>			2013 (Unaudited)
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	Net Book Value
Land improvements	\$ 30,951	\$ 774	\$ 30,177	\$ -
Furniture and equipment	370,817	18,568	352,249	-
Trailers and vehicles	83,221	10,992	72,229	-
Information technology	3,055	305	2,750	-
	<u>\$ 488,044</u>	<u>\$ 30,639</u>	<u>\$ 457,405</u>	<u>\$ -</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following:

	<b>2014</b>	2013 (Unaudited)
Accounts payable	\$ 30,559	\$ -
Accrued liabilities	34,599	-
Government remittances receivable	<u>(11,724)</u>	<u>-</u>
	<u>\$ 53,434</u>	<u>\$ -</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:

	<b>2014</b>	2013 (Unaudited)
Campground fees	\$ 587,363	\$ -
Cottage service fees	5,563	-
Accommodation fees	<u>79,883</u>	<u>-</u>
	<u>\$ 672,809</u>	<u>\$ -</u>

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**MUSKOKA BIBLE CENTRE INC.**  
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**8. SHARE CAPITAL**

Share capital consists of the following:

	2014	2013 (Unaudited)
Issued:		
100 Common Shares	<u>\$ 100</u>	<u>\$ -</u>

**9. 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, 2014.

**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, 2014 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, ensuring that sufficient credit is available and by generating sufficient cash flows from operations. There has been no change in the risk assessment from the prior period.

**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 short-term financing from MMC. MBC Inc. does not currently hold any financial instruments to mitigate this risk. MBC Inc.'s exposure to this risk fluctuates as the debt and related interest rates change from year to year.

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**MUSKOKA BIBLE CENTRE INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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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, 2014 (2013 - \$nil).