



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal
Assemblies of Canada

December 31, 2016

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Independent Auditor's Report

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To the District Executive of the
Eastern Ontario District of the Pentecostal Assemblies of Canada

We have audited the accompanying consolidated financial statements of the Eastern Ontario District of the Pentecostal Assemblies of Canada, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of activities, 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Eastern Ontario District of the Pentecostal Assemblies of Canada as at December 31, 2016 and the 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.

Markham, Canada
April 3, 2017

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Eastern Ontario District of the Pentecostal Assemblies of Canada Consolidated Statement of Financial Position

December 31, 2016

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	2016 Total	2015 Total
Assets						
Current						
Cash	\$ 237,332	\$ -	\$ 151,645	\$ 149,766	\$ 538,743	\$ 593,772
Restricted cash (Note 4)	224,366	-	539,190	32,053	795,609	699,869
Accounts receivable	35,851	-	74,658	16,881	127,390	111,821
Prepaid expenses and deposits	64,356	-	13,508	5,096	82,960	86,207
Loan receivable (Note 5)	93,083	-	-	-	93,083	93,083
	654,988	-	779,001	203,796	1,637,785	1,584,752
Investments held by Lakeshore Foundation Fund (Note 6)	-	-	103,500	-	103,500	58,716
Property and equipment (Note 7)	175,411	1,394,304	4,312,318	813,173	6,695,206	6,735,131
Total assets	\$ 830,399	\$ 1,394,304	\$ 5,194,819	\$ 1,016,969	\$ 8,436,491	\$ 8,378,599
Liabilities and net assets						
Current						
Accounts payable and accrued liabilities	\$ 171,540	\$ -	\$ 15,184	\$ 2,596	\$ 189,320	\$ 178,922
Designated funds payable (Note 8)	124,072	-	539,190	32,053	695,315	612,721
Promissory notes payable (Note 9)	-	-	759,310	-	759,310	1,128,212
Current portion of bank loans (Note 10)	-	-	-	-	-	267,528
Renewable current portion of bank loans (Note 10)	-	-	151,645	-	151,645	468,923
Current portion of long-term debt (Note 11)	-	-	72,106	24,759	96,865	97,258
Interfund loans (Note 12)	(3,542,577)	3,195,873	346,704	-	-	-
	(3,246,965)	3,195,873	1,884,139	59,408	1,892,455	2,753,564
Long-term debt (Note 11)	-	-	338,299	456,300	794,599	653,809
Total liabilities	(3,246,965)	3,195,873	2,222,438	515,708	2,687,054	3,407,373
Net assets						
Invested in property and equipment	175,411	1,394,304	3,750,268	332,114	5,652,097	5,247,613
Unrestricted surplus (deficit)	3,801,659	(3,195,873)	(881,387)	169,147	(106,454)	(422,252)
Internally restricted	-	-	-	-	-	-
- PAOC 20/20 initiative	100,294	-	-	-	100,294	87,149
Endowment fund	-	-	103,500	-	103,500	58,716
Total net assets	4,077,364	(1,801,569)	2,972,381	501,261	5,749,437	4,971,226
Total liabilities and net assets	\$ 830,399	\$ 1,394,304	\$ 5,194,819	\$ 1,016,969	\$ 8,436,491	\$ 8,378,599

Contingent liabilities (Note 14)

On behalf of the District Executive

 Director

 Director

See accompanying notes to the consolidated financial statements.

Eastern Ontario District of the Pentecostal Assemblies of Canada Consolidated Statement of Activities

Year ended December 31

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	2016 Total	2015 Total
Revenue						
Tithes						
Churches	\$ 2,396,929	\$ -	\$ -	\$ -	\$ 2,396,929	\$ 2,308,857
Credential holders	453,853	-	-	-	453,853	449,857
Sales and rentals	-	-	843,804	283,046	1,126,850	1,076,264
Donations and offerings	15,519	-	349,928	122,296	487,743	505,398
Ministries registration and offerings	237,265	-	-	-	237,265	183,059
Registration fees	2,750	-	131,476	87,979	222,205	211,326
Interest and other	22,851	-	1,635	206	24,692	29,664
Rent	-	11,700	-	-	11,700	15,700
Conferences and conventions	-	-	-	-	-	76,124
	<u>3,129,167</u>	<u>11,700</u>	<u>1,326,843</u>	<u>493,527</u>	<u>4,961,237</u>	<u>4,856,249</u>
Expenditures						
Salaries and benefits	984,502	-	329,397	133,724	1,447,623	1,381,749
Building and property	27,304	33,574	330,083	128,217	519,178	530,243
Camp operations	-	-	352,882	147,788	500,670	494,769
Administration and office	216,078	1,600	67,603	17,755	303,036	298,314
Subsidies and donations	290,635	-	-	-	290,635	280,973
Bible colleges	253,987	-	-	-	253,987	241,834
National Office tithes	239,693	-	-	-	239,693	232,278
Church ministries	200,761	-	-	-	200,761	169,731
Pastoral and church care	88,020	-	-	-	88,020	80,688
Interest and bank charges						
(Notes 9 and 10)	44,030	-	18,893	7,342	70,265	76,107
Missions	-	-	37,613	12,000	49,613	54,304
Interest on long-term debt						
(Note 11)	-	-	20,503	20,231	40,734	80,976
Conferences and conventions	32,704	-	-	-	32,704	117,306
	<u>2,377,714</u>	<u>35,174</u>	<u>1,156,974</u>	<u>467,057</u>	<u>4,036,919</u>	<u>4,039,272</u>
Excess (deficiency) of revenue over expenditures from operations	<u>751,453</u>	<u>(23,474)</u>	<u>169,869</u>	<u>26,470</u>	<u>924,318</u>	<u>816,977</u>
Amortization of property and equipment	(10,470)	(28,626)	(128,555)	(23,240)	(190,891)	(191,303)
Gain on sale of property (Note 7)	-	-	-	-	-	209,261
Net subsidies (Note 13)	(193,285)	80,400	42,974	69,911	-	-
	<u>(203,755)</u>	<u>51,774</u>	<u>(85,581)</u>	<u>46,671</u>	<u>(190,891)</u>	<u>17,958</u>
Excess of revenue over expenditures	<u>\$ 547,698</u>	<u>\$ 28,300</u>	<u>\$ 84,288</u>	<u>\$ 73,141</u>	<u>\$ 733,427</u>	<u>\$ 834,935</u>

See accompanying notes to the consolidated financial statements.

Eastern Ontario District of the Pentecostal Assemblies of Canada Consolidated Statement of Changes in Net Assets

Year ended December 31

	Invested in Property and Equipment	Unrestricted	Internally Restricted	Endowment Fund	2016 Total	2015 Total
Consolidated net assets (deficit), beginning of year	\$ 5,247,613	\$ (422,252)	\$ 87,149	\$ 58,716	\$ 4,971,226	\$ 4,135,575
Excess (deficiency) of revenue over expenditures	(190,891)	911,173	13,145	-	733,427	834,935
Endowment contribution (Note 6)	-	-	-	44,784	44,784	716
Purchases of property and equipment	150,966	(150,966)	-	-	-	-
Repayment of bank loans	584,806	(584,806)	-	-	-	-
Proceeds on long-term debt	(234,308)	234,308	-	-	-	-
Repayment of long-term debt	93,911	(93,911)	-	-	-	-
Consolidated net assets (deficit), end of year	<u>\$ 5,652,097</u>	<u>\$ (106,454)</u>	<u>\$ 100,294</u>	<u>\$ 103,500</u>	<u>\$ 5,749,437</u>	<u>\$ 4,971,226</u>

See accompanying notes to the consolidated financial statements.

Eastern Ontario District of the Pentecostal Assemblies of Canada Consolidated Statement of Cash Flows

Year ended December 31

2016

2015

Increase (decrease) in cash

Operating		
Excess of revenue over expenditures	\$ 733,427	\$ 834,935
Endowment contribution (Note 6)	44,784	716
Items not involving cash		
Amortization of property and equipment	190,891	191,303
Gain on sale of property (Note 7)	<u>-</u>	<u>(209,261)</u>
	<u>969,102</u>	<u>817,693</u>
Net change in non-cash working capital balances		
Accounts receivable	(15,569)	(8,626)
Prepaid expenses and deposits	3,247	(9,451)
Accounts payable and accrued liabilities	10,398	(21,724)
Designated funds payable	<u>82,594</u>	<u>74,424</u>
	<u>80,670</u>	<u>34,623</u>
	<u>1,049,772</u>	<u>852,316</u>
Financing		
Repayment of promissory notes payable	(368,902)	(93,578)
Proceeds of bank loans	-	324,500
Repayment of bank loans (Note 10)	(584,806)	(115,634)
Proceeds of long term debt	234,308	-
Repayment of long-term debt (Note 11)	<u>(93,911)</u>	<u>(1,088,242)</u>
	<u>(813,311)</u>	<u>(972,594)</u>
Investing		
Proceeds from loan receivable	-	21,990
Purchase of investments held by Lakeshore Foundation (Note 6)	(44,784)	(716)
Proceeds from sale of property (Note 7)	-	337,500
Purchases of property and equipment	<u>(150,966)</u>	<u>(95,080)</u>
	<u>(195,750)</u>	<u>263,694</u>
Net change in cash during the year	40,711	143,056
Cash, beginning of year	<u>1,293,641</u>	<u>1,150,585</u>
Cash, end of year	<u>\$ 1,334,352</u>	<u>\$ 1,293,641</u>
Cash consists of:		
Cash	\$ 538,743	\$ 593,772
Restricted cash	<u>795,609</u>	<u>699,869</u>
	<u>\$ 1,334,352</u>	<u>\$ 1,293,641</u>

See accompanying notes to the consolidated financial statements.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2016

1. Purpose of organization

The purpose of the Eastern Ontario District of the Pentecostal Assemblies of Canada (the "District") is to promulgate the gospel of Jesus Christ, establish new congregations and provide leadership and support to those churches in Eastern Ontario and Nunavut which are affiliated with The Pentecostal Assemblies of Canada (the "PAOC"). The District is an Ontario not-for-profit corporation, and derives its jurisdiction and authority from the General Conference of The Pentecostal Assemblies of Canada. The District is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

2. Working capital deficiency

Although the overall financial position of the District has improved since last year, as at year-end, the District's current liabilities exceed its current assets.

The District's ability to continue to improve its financial position is dependent on the support of its member churches, the District's lenders, and a continued surplus position in its operations.

3. Summary of significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), the more significant of which are outlined below.

Basis of consolidation

The consolidated financial statements include the accounts of the Eastern Ontario District of the Pentecostal Assemblies of Canada, Eastern Ontario Heritage Holdings (Non-Profit) ("Heritage Holdings"), Lakeshore Pentecostal Camp, and Ottawa Valley Pentecostal Camp.

Heritage Holdings was incorporated without share capital as a not-for-profit organization. The main purpose of the organization is to advance the work of the PAOC by holding land for the District office and a religious retreat centre. The organization is controlled by the District due to common Board of Directors ("Board") members.

The camps are registered charities under the Income Tax Act (Canada) and are exempt from income taxes. The camps have specific purposes consistent with the purposes of, and with ultimate accountability to, the District.

Use of estimates

The preparation of consolidated financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the year. The most significant estimates include the collectability of accounts and loan receivable and the useful life of property and equipment. Actual results could differ from these estimates.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2016

3. Summary of significant accounting policies (continued)

Fund accounting

The District follows the principles of fund accounting, under which resources for particular purposes are classified for accounting and reporting into funds corresponding to those purposes.

General District

The General District fund consists of assets, liabilities, revenue and expenditures related to the operations of the District which are not included in other funds. It also includes an internally restricted fund for the PAOC 20/20 initiative and future church assistance subsidies to be made by the District.

Heritage Holdings

The Heritage Holdings fund consists of the Heritage Holdings property and related debt and includes the revenue and expenditures related to this property.

Lakeshore Pentecostal Camp

The Lakeshore Pentecostal Camp fund reports the assets, liabilities, revenue and expenditures of the Lakeshore Pentecostal Camp located near Cobourg, Ontario, and its Lakeshore Foundation Fund (Note 6).

Ottawa Valley Pentecostal Camp

The Ottawa Valley Pentecostal Camp fund reports the assets, liabilities, revenue and expenditures of the Ottawa Valley Pentecostal Camp located in Cobden, Ontario.

Revenue recognition

The District follows the deferral method of accounting for restricted donations and offerings. Restricted donations and offerings are recognized as revenue in the year in which the related expenditures are incurred. To the extent that revenue has not been recognized, it has been reflected as designated funds payable. Tithes and unrestricted donations and offerings are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Sales and rentals, registration fees, and conference revenue are recognized as the services are provided. Endowment contributions are recognized in the Endowment Fund when received.

Volunteer services

The District receives volunteer services, the value of which cannot be reasonably estimated. Therefore, no provision for these amounts is reflected in the consolidated financial statements.

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is recorded on the property and equipment on a declining balance basis as follows, except for the Lakeshore Pentecostal Camp buildings which are amortized over 40 years on a straight-line basis:

Buildings	4%
Computers	30%
Equipment	10% - 20%
Site improvements and signs	10% - 20%
Drainage	10%
Vehicles	30%

Eastern Ontario District of the Pentecostal Assemblies of Canada Notes to the Consolidated Financial Statements

December 31, 2016

3. Summary of significant accounting policies (continued)

Financial instruments

Initial measurement

The District's financial instruments are measured at fair value when issued or acquired.

Subsequent measurement

At each reporting date, the District measures its financial assets and liabilities at amortized cost (less impairment in the case of financial assets). The loan receivable is a demand loan and is recorded at cost as its fair value and amortized cost are not determinable. The financial instruments measured at amortized cost are cash, restricted cash, accounts receivable, certificate loans receivable held by the Lakeshore Foundation Fund (Note 6), accounts payable, promissory notes payable, bank loans, and long-term debt. For financial assets measured at cost or amortized cost, the District regularly assesses whether there are any indications of impairment. Any impairment loss is recognized in the consolidated statement of activities.

4. Restricted cash

The restricted cash balance is set aside for the designated funds payable and internally restricted funds.

5. Loan receivable

The loan is receivable from a church, due on demand, at a rate of return of 5%, and is secured by the church property.

6. Investments held by Lakeshore Foundation Fund

During the year, Lakeshore Pentecostal Camp received endowment contributions of \$44,784 (2015 - \$716) towards its Lakeshore Foundation Fund. Endowment contributions are invested in certificate loans held by the Pentecostal Financial Services Group ("PFSG"), a wholly-owned subsidiary of the PAOC. These certificate loans earn interest at rates between 2.40% and 3.05% and mature in 2021.

The Lakeshore Foundation Fund was established in 2011. Income earned on the endowment investment is used to subsidize camp registration fees for children and youth. Interest of \$1,813 (2015 - \$1,694) earned on the fund is recorded in designated funds payable under camp sponsorships (Note 8).

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2016

7. Property and equipment

	2016			2015
	Cost	Accumulated Amortization	Net	Net
General District				
Land held	\$ 62,495	\$ -	\$ 62,495	\$ 62,495
Buildings	182,392	89,173	93,219	97,104
Computers	107,664	97,035	10,629	15,184
Equipment	228,604	219,536	9,068	9,207
	<u>581,155</u>	<u>405,744</u>	<u>175,411</u>	<u>183,990</u>
Heritage Holdings				
Land	696,000	-	696,000	696,000
Buildings	810,242	434,012	376,230	391,907
Site improvements	686,584	364,510	322,074	312,421
	<u>2,192,826</u>	<u>798,522</u>	<u>1,394,304</u>	<u>1,400,328</u>
Lakeshore Pentecostal Camp				
Land	2,080,000	-	2,080,000	2,080,000
Buildings	3,658,789	1,664,069	1,994,720	2,032,924
Equipment	754,638	614,571	140,067	113,883
Site improvements and signs	394,514	332,204	62,310	65,701
Drainage	163,297	130,846	32,451	36,057
Vehicles	163,324	160,554	2,770	2,138
	<u>7,214,562</u>	<u>2,902,244</u>	<u>4,312,318</u>	<u>4,330,703</u>
Ottawa Valley Pentecostal Camp				
Land	560,000	-	560,000	560,000
Buildings	825,150	632,871	192,279	194,726
Equipment	217,664	192,745	24,919	26,846
Site improvements	256,738	233,324	23,414	29,268
Vehicles	78,614	66,749	11,865	8,401
Computers	2,195	1,499	696	869
	<u>1,940,361</u>	<u>1,127,188</u>	<u>813,173</u>	<u>820,110</u>
	<u>\$ 11,928,904</u>	<u>\$ 5,233,698</u>	<u>\$ 6,695,206</u>	<u>\$ 6,735,131</u>

In a prior year, the District entered into an agreement with the Courtice Family Worship Centre (the "Church") to sell the District owned land upon which the Church was situated at a sale price of \$337,500. The sale was completed on March 6, 2015 and a gain on sale of the property of \$209,261 was realized in 2015.

The District is registered on the title of certain of the churches. As is customary in the PAOC, the values of these properties are recorded in the books and records of the local churches.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2016

8. Designated funds payable

	January 1, 2016	Increases	Decreases	December 31, 2016
General District				
Women's Network				
L.I.F.E. Funds	\$ 114,806	\$ 29,528	\$ 29,528	\$ 114,806
Camp Echo	-	5,582	-	5,582
Special Pension Payments				
Emergency Fund	5,943	-	4,453	1,490
Cardinal Support	3,300	-	1,900	1,400
Camp Iqaluit	3,535	794	3,535	794
Single Mom's Camp	857	4,213	5,070	-
	<u>128,441</u>	<u>40,117</u>	<u>44,486</u>	<u>124,072</u>
Lakeshore Pentecostal Camp				
Environmental upgrade fund	415,957	86,948	6,347	496,558
Capital funds	34,132	80,609	77,674	37,067
Camp sponsorships	5,390	1,813	4,169	3,034
Memorial fund	6,142	1,890	5,531	2,501
Debt reduction	-	530	500	30
Missions	-	30,001	30,001	-
Camp Echo	3,491	-	3,491	-
Women's Network	-	2,463	2,463	-
	<u>465,112</u>	<u>204,254</u>	<u>130,176</u>	<u>539,190</u>
Ottawa Valley Pentecostal Camp				
Environmental upgrade fund	10,621	18,830	5,780	23,671
Memorial fund	6,947	470	816	6,601
Camp sponsorships	1,261	909	936	1,231
Capital funds	339	208	-	547
Missions	-	12,000	12,000	-
	<u>19,168</u>	<u>32,417</u>	<u>19,532</u>	<u>32,053</u>
	<u>\$ 612,721</u>	<u>\$ 276,788</u>	<u>\$ 194,194</u>	<u>\$ 695,315</u>

9. Promissory notes payable

	<u>2016</u>	<u>2015</u>
Promissory notes payable to churches and related organizations, unsecured, bearing interest rates to a maximum of 3.05%, redeemable on demand	\$ 749,310	\$ 1,051,308
Promissory notes payable to individuals, unsecured, bearing interest rates to a maximum of 2.70%, redeemable on demand	<u>10,000</u>	<u>76,904</u>
	<u>\$ 759,310</u>	<u>\$ 1,128,212</u>

Interest expensed for the year amounted to \$23,775 (2015 - \$33,723).

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2016

10. Bank loans

	2016	2015
Bank loan, payable in monthly blended principal and interest payments of \$12,862, bearing interest at 3.27%, due December 22, 2017	\$ 151,645	\$ 411,951
Bank loan, payable in monthly blended principal and interest payments of \$12,990, bearing interest at 3.25%, due December 1, 2016	-	324,500
	\$ 151,645	\$ 736,451

The bank loans are comprised of:

Current portion	\$ -	\$ 267,528
Renewable current portion	151,645	468,923
	\$ 151,645	\$ 736,451

The bank loans are secured by the land located at the Lakeshore and Ottawa Valley Pentecostal Camps.

During the year, principal payments of \$584,806 (2015 - \$115,634) were made towards these bank loans. Interest expensed for the year amounted to \$20,255 (2015 - \$16,530).

The District has access to an overdraft credit to a maximum of \$200,000. Any bank indebtedness would be repayable on demand and bear interest at the bank prime rate plus 1.75%. The credit was not accessed during the year.

11. Long-term debt

	2016	2015
Lakeshore Pentecostal Camp		
Mortgage on Lakeshore Pentecostal Camp property, bearing interest at 4.6%, repayable in monthly blended principal and interest payments of \$7,440 based on a 6-year amortization, due February 2019 but renewable for three further terms of three years	\$ 410,405	\$ 479,424
Ottawa Valley Pentecostal Camp		
Mortgage on Ottawa Valley Pentecostal Camp property, bearing interest at 4.6%, repayable in monthly blended principal and interest payments of \$3,844, based on a 15-year amortization, due February 2019 but renewable for four further terms of three years	481,059	271,643
	891,464	751,067
Less: current portion	96,865	97,258
	\$ 794,599	\$ 653,809

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2016

11. Long-term debt (continued)

The camp mortgages are payable to The Pension Fund (1969) of The Pentecostal Assemblies of Canada (the "Pension Fund") and are secured by a first mortgage registered to the Pension Fund in priority to the bank loans, and an assignment of insurance proceeds.

During the year, Lakeshore Pentecostal Camp renewed its existing mortgage and Ottawa Valley Pentecostal Camp refinanced and increased its mortgage payable to the Pension Fund enabling the repayment of its interfund loan with the District and repayment of one of the bank loans.

Total long-term debt payments during the year were \$93,911 (2015 - \$1,088,242). Interest expensed on long-term debt during the year amounted to \$40,734 (2015 - \$80,976).

It is management's intention to renew these mortgages as they come due. As at year end, future minimum principal payments were expected to be as follows:

2017	\$	96,865
2018		101,370
2019		116,263
2020		117,504
2021		211,131
Thereafter		<u>248,331</u>
	\$	<u>891,464</u>

12. Interfund loans and transactions

	<u>2016</u>	<u>2015</u>
Heritage Holdings	\$ 3,195,873	\$ 3,230,196
Lakeshore Pentecostal Camp	346,704	590,689
Ottawa Valley Pentecostal Camp	<u>-</u>	<u>116,476</u>
Due to General District	<u>\$ 3,542,577</u>	<u>\$ 3,937,361</u>

The interfund loan to Heritage Holdings is non-interest bearing.

The interfund loans to Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp bear interest at 3.7%. Interest was charged to the two camp funds in the amount of \$41,105 (2015 - \$50,907) and is reflected in the net subsidies in the statement of activities (Note 13).

The District paid approximately \$9,960 (2015 - \$11,445) to the Ottawa Valley Pentecostal Camp for retreats held by the District at the Camp during the year.

Lakeshore Pentecostal Camp charged Heritage Holdings \$7,750 (2015 - \$7,500) for grounds maintenance.

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13. Net subsidies

Net subsidies include the following transactions:

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Subsidies	\$ (153,990)	\$ -	\$ 82,741	\$ 71,249	\$ -
Interest (Note 12)	41,105	-	(39,767)	(1,338)	-
Rent	(80,400)	80,400	-	-	-
	\$ (193,285)	\$ 80,400	\$ 42,974	\$ 69,911	\$ -

Interest charged by the General District to the camps is on account of the interfund loans (Note 12).

Rent charged by Heritage Holdings to the General District is for the use of premises.

14. Contingent liabilities

Guarantees

The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$1,832,546 (2015 - \$1,735,820) and the mortgages payable by Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp (Note 11). These loans are secured by the properties of the churches and camps. The District estimates that the value of these properties exceeds the amounts guaranteed.

The District is the joint guarantor, along with other participating districts, of loans made by investors to Master's College and Seminary. The District's responsibility as at December 31, 2016 is \$400,000 (2015 - \$400,000). These loans are unsecured.

During 2016, the District, along with Master's College and Seminary and the Western Ontario District of The Pentecostal Assemblies of Canada, co-signed a lease for the 780 Argyle Street property in Peterborough which was previously owned by Master's College and Seminary. The annual lease commitment paid by Master's College and Seminary is \$732,847, with the term expiring on June 1, 2018.

Environmental assessments

Lakeshore Pentecostal Camp is cooperating with the Ontario Ministry of the Environment with respect to an environmental assessment relating to sewage treatment. Upgrades to septic systems will be required for camp facilities, private cottages, and recreational vehicles; however, an order requiring work to be done has not yet been issued. The full cost of possible work to be done is estimated at \$2,000,000 to be incurred over the next 20 years. The upgrades are expected to enhance the value of the Lakeshore Pentecostal Camp property.

The Ontario Ministry of the Environment has begun an environmental assessment of Ottawa Valley Pentecostal Camp's sewage system. At this point, the expected cost of the project to bring the septic system to satisfactory condition is not determinable.

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14. Contingent liabilities (continued)

Special payments for Pension Plan

The District participates in a defined benefit, multi-employer pension plan administered by The Pension Fund (1969) of The Pentecostal Assemblies of Canada (the "Plan"). The District accounts for its participation in this multi-employer pension plan as a defined contribution plan.

An actuarial valuation report of the Plan prepared in 2014 disclosed that the contribution schedule previously established was inadequate to fund the promised benefit. Additional contributions in the form of special payments are required. The District's annual share of the special payments is approximately \$25,000. Monthly special payments are expected to continue until the District's portion of the Plan is adequately funded.

15. Financial instruments

The District's main financial instrument exposure, which remains unchanged from the prior year, is detailed as follows:

Credit risk

The District is exposed to credit risk through accounts receivable and loan receivable. Credit risk arises from the potential that churches and individuals may fail to honour these obligations. The District performs ongoing evaluations and limits the amount of credit extended when considered necessary. The allowance for doubtful accounts is \$Nil (2015 - \$Nil).

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. The District is exposed to interest rate price risk with respect to its loan receivable, certificate loans, promissory notes payable, bank loans, and long-term debt.

Liquidity risk

The District's liquidity risk represents the risk that the District could encounter difficulty in meeting obligations associated with its financial liabilities. The District is exposed to liquidity risk as disclosed in Note 2. Government remittances payable at year end are \$Nil (2015 - \$Nil).

