



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal  
Assemblies of Canada

December 31, 2015

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Grant Thornton

## 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, 2015 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, 2015 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 6, 2016



Chartered Professional Accountants  
Licensed Public Accountants

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

December 31

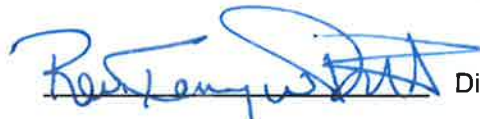
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	2015 Total	2014 Total
<b>Assets</b>						
<b>Current</b>						
Cash (Note 4)	\$ 441,513	\$ -	\$ 57,438	\$ 94,821	\$ 593,772	\$ 509,353
Restricted cash (Note 5)	215,590	-	465,111	19,168	699,869	641,232
Accounts receivable	13,348	-	82,302	16,171	111,821	103,195
Prepaid expenses and deposits	65,412	-	15,794	5,001	86,207	76,756
Loans receivable (Note 6)	93,083	-	-	-	93,083	115,073
Land held for sale (Note 7)	-	-	-	-	-	128,239
	<u>828,946</u>	<u>-</u>	<u>620,645</u>	<u>135,161</u>	<u>1,584,752</u>	<u>1,573,848</u>
Investments held by Lakeshore Foundation Fund (Note 8)	-	-	58,716	-	58,716	58,000
Property and equipment (Note 7)	183,990	1,400,328	4,330,703	820,110	6,735,131	6,831,354
<b>Total assets</b>	<b><u>\$ 1,012,936</u></b>	<b><u>\$ 1,400,328</u></b>	<b><u>\$ 5,010,064</u></b>	<b><u>\$ 955,271</u></b>	<b><u>\$ 8,378,599</u></b>	<b><u>\$ 8,463,202</u></b>
<b>Liabilities and net assets</b>						
<b>Current</b>						
Accounts payable and accrued liabilities	\$ 163,982	\$ -	\$ 12,910	\$ 2,031	\$ 178,923	\$ 200,647
Designated funds payable (Note 9)	128,441	-	465,111	19,168	612,720	538,296
Promissory notes payable (Note 10)	1,128,212	-	-	-	1,128,212	1,221,790
Current portion of bank loans (Note 11)	-	-	224,724	42,804	267,528	115,438
Renewable current portion of bank loans (Note 11)	-	-	393,895	75,028	468,923	412,147
Current portion of long-term debt (Note 12)	-	-	69,455	27,803	97,258	182,751
Intercompany loans (Note 13)	(3,937,361)	3,230,196	590,689	116,476	-	-
	<u>(2,516,726)</u>	<u>3,230,196</u>	<u>1,756,784</u>	<u>283,310</u>	<u>2,753,564</u>	<u>2,671,069</u>
Long-term debt (Note 12)	-	-	409,969	243,840	653,809	1,656,558
<b>Total liabilities</b>	<b><u>(2,516,726)</u></b>	<b><u>3,230,196</u></b>	<b><u>2,166,753</u></b>	<b><u>527,150</u></b>	<b><u>3,407,373</u></b>	<b><u>4,327,627</u></b>
<b>Net assets</b>						
Invested in property and equipment	183,990	1,400,328	3,232,660	430,635	5,247,613	4,592,699
Unrestricted surplus (deficit)	3,258,523	(3,230,196)	(448,065)	(2,514)	(422,252)	(618,060)
Internally restricted	87,149	-	-	-	87,149	102,936
Endowment fund	-	-	58,716	-	58,716	58,000
<b>Total net assets</b>	<b><u>3,529,662</u></b>	<b><u>(1,829,868)</u></b>	<b><u>2,843,311</u></b>	<b><u>428,121</u></b>	<b><u>4,971,226</u></b>	<b><u>4,135,575</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,012,936</u></b>	<b><u>\$ 1,400,328</u></b>	<b><u>\$ 5,010,064</u></b>	<b><u>\$ 955,271</u></b>	<b><u>\$ 8,378,599</u></b>	<b><u>\$ 8,463,202</u></b>

Commitments and contingent liabilities (Notes 15 and 16)

On behalf of the Board of Directors



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	2015 Total	2014 Total
<b>Revenue</b>						
Tithes						
Churches	\$ 2,308,857	\$ -	\$ -	\$ -	\$ 2,308,857	\$ 2,310,378
Credential holders	449,857	-	-	-	449,857	434,226
Sales and rentals	-	-	862,560	213,704	1,076,264	1,040,163
Donations and offerings	32,558	-	347,065	125,775	505,398	532,821
Registration fees	4,550	-	118,329	88,447	211,326	196,485
Ministries registration and offerings	183,059	-	-	-	183,059	193,054
Conferences and conventions	76,124	-	-	-	76,124	-
Interest and other	27,324	-	1,440	900	29,664	43,537
Rent	-	15,700	-	-	15,700	16,400
	<u>3,082,329</u>	<u>15,700</u>	<u>1,329,394</u>	<u>428,826</u>	<u>4,856,249</u>	<u>4,767,064</u>
<b>Expenditures</b>						
Salaries and benefits	938,275	-	325,060	118,414	1,381,749	1,292,958
Building and property	40,303	30,662	338,757	120,521	530,243	539,575
Camp operations	-	-	363,369	131,400	494,769	455,130
Administration and office	205,351	1,991	72,349	18,623	298,314	319,952
Subsidies and donations	280,973	-	-	-	280,973	305,152
Bible colleges	241,834	-	-	-	241,834	241,784
National Office tithes	232,278	-	-	-	232,278	232,421
Church ministries	169,731	-	-	-	169,731	173,307
Conferences and conventions	117,306	-	-	-	117,306	28,273
Interest on long-term debt (Note 12)	-	42,368	24,209	14,399	80,976	92,899
Pastoral and church care	80,688	-	-	-	80,688	80,589
Interest and bank charges (Notes 10 and 11)	50,253	-	18,843	7,011	76,107	88,726
Missions	-	-	43,909	10,395	54,304	52,751
	<u>2,356,992</u>	<u>75,021</u>	<u>1,186,496</u>	<u>420,763</u>	<u>4,039,272</u>	<u>3,903,518</u>
Excess (deficiency) of revenue over expenditures from operations	<u>725,337</u>	<u>(59,321)</u>	<u>142,898</u>	<u>8,063</u>	<u>816,977</u>	<u>863,546</u>
Amortization of property and equipment	(11,961)	(29,346)	(124,430)	(25,566)	(191,303)	(198,547)
Gain on sale of property (Note 7)	209,261	-	-	-	209,261	-
Net subsidies (Note 14)	<u>(183,484)</u>	<u>80,400</u>	<u>40,110</u>	<u>62,974</u>	<u>-</u>	<u>-</u>
	<u>13,816</u>	<u>51,054</u>	<u>(84,320)</u>	<u>37,408</u>	<u>17,958</u>	<u>(198,547)</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 739,153</u>	<u>\$ (8,267)</u>	<u>\$ 58,578</u>	<u>\$ 45,571</u>	<u>\$ 834,935</u>	<u>\$ 664,999</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	2015 Total	2014 Total
Consolidated net assets (deficit), beginning of year	\$ 4,592,699	\$ (618,060)	\$ 102,936	\$ 58,000	\$ 4,135,575	\$ 3,457,076
Excess (deficiency) of revenue over expenditures	(191,303)	1,042,025	(15,787)	-	834,935	664,999
Endowment contribution (Note 8)	-	-	-	716	716	13,500
Net book value of property sold (Note 7)	(128,239)	128,239	-	-	-	-
Purchases of property and equipment	95,080	(95,080)	-	-	-	-
Repayment of bank loan	115,634	(115,634)	-	-	-	-
Bank loan proceeds	(324,500)	324,500	-	-	-	-
Repayment of long-term debt	<u>1,088,242</u>	<u>(1,088,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consolidated net assets (deficit), end of year	<u>\$ 5,247,613</u>	<u>\$ (422,252)</u>	<u>\$ 87,149</u>	<u>\$ 58,716</u>	<u>\$ 4,971,226</u>	<u>\$ 4,135,575</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

2015

2014

Increase (decrease) in cash

<b>Operating</b>		
Excess of revenue over expenditures	\$ 834,935	\$ 664,999
Endowment contribution (Note 8)	716	13,500
Item not involving cash		
Amortization of property and equipment	191,303	198,547
Gain on sale of property (Note 7)	<u>(209,261)</u>	<u>-</u>
	<u>817,693</u>	<u>877,046</u>
Net change in non-cash working capital balances		
Accounts receivable	(8,626)	12,748
Prepaid expenses and deposits	(9,451)	2,111
Accounts payable and accrued liabilities	(21,724)	2,204
Designated funds payable	<u>74,424</u>	<u>63,873</u>
	<u>34,623</u>	<u>80,936</u>
	<u>852,316</u>	<u>957,982</u>
<b>Financing</b>		
Repayment of promissory notes payable	(93,578)	(80,418)
Proceeds of bank loan	324,500	-
Repayment of bank loan (Note 11)	(115,634)	(206,876)
Repayment of long-term debt (Note 12)	<u>(1,088,242)</u>	<u>(179,076)</u>
	<u>(972,954)</u>	<u>(466,370)</u>
<b>Investing</b>		
Proceeds from loans receivable	21,990	11,573
Purchase of investments held by Lakeshore Foundation (Note 8)	(716)	(13,500)
Proceeds from sale of property (Note 7)	337,500	-
Purchase of property and equipment	<u>(95,080)</u>	<u>(130,058)</u>
	<u>263,694</u>	<u>(131,985)</u>
Net change in cash during the year	143,056	359,627
Cash, beginning of year	<u>1,150,585</u>	<u>790,958</u>
Cash, end of year	<u>\$ 1,293,641</u>	<u>\$ 1,150,585</u>
Cash consists of:		
Cash	\$ 593,772	\$ 509,353
Restricted cash	<u>699,869</u>	<u>641,232</u>
	<u>\$ 1,293,641</u>	<u>\$ 1,150,585</u>

See accompanying notes to the consolidated financial statements.



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# **Eastern Ontario District of the Pentecostal Assemblies of Canada**

## **Notes to the Consolidated Financial Statements**

December 31, 2015

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### **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.

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### **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.

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### **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 collectibility of accounts and loans receivable and the useful life of property and equipment. Actual results could differ from these estimates.

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# Eastern Ontario District of the Pentecostal Assemblies of Canada

## Notes to the Consolidated Financial Statements

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December 31, 2015

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### 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 operation of the District which are not included in other funds. It also includes an internally restricted fund for future 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 8).

##### *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%

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# Eastern Ontario District of the Pentecostal Assemblies of Canada

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 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). Loans receivable are demand loans and are recorded at cost as their 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 8), accounts payable, promissory notes payable, bank loan, 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.

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### 4. Cash

A portion of the consolidated unrestricted cash balance is intended to be used to make a special payment to reduce the District's debt and for the current portion of the bank loans of \$267,528 (2014 - \$115,438).

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### 5. Restricted cash

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

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### 6. Loans receivable

Loans receivable comprise church loans, are due on demand at various rates of return to a maximum of 5%, and are secured by various properties.

# Eastern Ontario District of the Pentecostal Assemblies of Canada

## Notes to the Consolidated Financial Statements

December 31, 2015

### 7. Property and equipment

	<u>2015</u>			<u>2014</u>
	Cost	Accumulated Amortization	Net	Net
<b>General District</b>				
Land held	\$ 62,495	\$ -	\$ 62,495	\$ 62,495
Buildings	182,393	85,289	97,104	96,656
Computers	107,664	92,480	15,184	17,144
Equipment	<u>226,712</u>	<u>217,505</u>	<u>9,207</u>	<u>11,509</u>
	<u>579,264</u>	<u>395,274</u>	<u>183,990</u>	<u>187,804</u>
<b>Heritage Holdings</b>				
Land	696,000	-	696,000	696,000
Buildings	810,242	418,335	391,907	408,236
Site improvements	<u>663,982</u>	<u>351,561</u>	<u>312,421</u>	<u>325,438</u>
	<u>2,170,224</u>	<u>769,896</u>	<u>1,400,328</u>	<u>1,429,674</u>
<b>Lakeshore Pentecostal Camp</b>				
Land	2,080,000	-	2,080,000	2,080,000
Buildings	3,603,070	1,570,146	2,032,924	2,076,245
Equipment	705,167	591,284	113,883	126,116
Site improvements and signs	391,032	325,331	65,701	63,518
Drainage	163,297	127,240	36,057	40,063
Vehicles	<u>161,826</u>	<u>159,688</u>	<u>2,138</u>	<u>1,882</u>
	<u>7,104,392</u>	<u>2,773,689</u>	<u>4,330,703</u>	<u>4,387,824</u>
<b>Ottawa Valley Pentecostal Camp</b>				
Land	560,000	-	560,000	560,000
Buildings	819,713	624,987	194,726	182,822
Site improvements	256,738	227,470	29,268	36,585
Equipment	213,839	186,993	26,846	33,557
Vehicles	71,574	63,173	8,401	12,002
Computers	<u>2,194</u>	<u>1,325</u>	<u>869</u>	<u>1,086</u>
	<u>1,924,058</u>	<u>1,103,948</u>	<u>820,110</u>	<u>826,052</u>
	<u>\$ 11,777,938</u>	<u>\$ 5,042,807</u>	<u>\$ 6,735,131</u>	<u>\$ 6,831,354</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.

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, 2015

### 8. Investments held by Lakeshore Foundation Fund

During the year, Lakeshore Pentecostal Camp received endowment contributions of \$716 (2014 - \$13,500) 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 2.80% and 3.3% and mature in 2016.

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 \$1,694 (2014 - \$1,538) earned on the fund is recorded in designated funds payable under camp sponsorships (Note 9).

### 9. Designated funds payable

	January 1, 2015	Increases	Decreases	December 31, 2015
<b>General District</b>				
Women's Network				
L.I.F.E. Funds	\$ 114,806	\$ 33,702	\$ 33,702	\$ 114,806
Special Pension Payments				
Emergency Fund	6,624	-	681	5,943
Camp Iqaluit	3,435	100	-	3,535
Cardinal Support	12,000	-	8,700	3,300
Single Mom's Camp	2,474	857	2,474	857
	139,339	34,659	45,557	128,441
<b>Lakeshore Pentecostal Camp</b>				
Environmental upgrade fund	364,174	86,812	35,029	415,957
Capital funds	19,568	46,427	31,862	34,133
Memorial fund	1,062	8,043	2,965	6,140
Camp sponsorships	3,590	4,393	2,593	5,390
Camp Echo	3,688	9,765	9,962	3,491
Missions	-	30,687	30,687	-
Debt reduction	-	6,517	6,517	-
Women's Network	-	7,531	7,531	-
	392,082	200,175	127,146	465,111
<b>Ottawa Valley Pentecostal Camp</b>				
Environmental upgrade fund	-	19,750	9,129	10,621
Memorial fund	5,984	1,118	155	6,947
Camp sponsorships	552	1,100	391	1,261
Capital funds	339	4,282	4,282	339
Missions	-	10,195	10,195	-
	6,875	36,445	24,152	19,168
	\$ 538,296	\$ 271,279	\$ 196,855	\$ 612,720

## Eastern Ontario District of the Pentecostal Assemblies of Canada

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 10. Promissory notes payable

	2015	2014
Promissory notes payable to churches and related organizations, unsecured, bearing interest rates to a maximum of 3.05%, redeemable on demand	\$ 1,051,308	\$ 1,116,637
Promissory notes payable to individuals, unsecured, bearing interest rates to a maximum of 2.85%, redeemable on demand	76,904	105,153
	<b>\$ 1,128,212</b>	<b>\$ 1,221,790</b>

Interest expensed for the year amounted to \$33,723 (2014 - \$35,912).

#### 11. Bank loans

	2015	2014
Bank loan, payable in monthly blended principal and interest payments of \$11,014, bearing interest at 3.31%, due December 22, 2016	\$ 411,951	\$ 527,585
Bank loan, payable in monthly blended principal and interest payments of \$12,990, bearing interest at 3.25%, due December 1, 2016	324,500	-
	<b>\$ 736,451</b>	<b>\$ 527,585</b>

The bank loans are comprised of:

Current portion	\$ 267,528	\$ 115,438
Renewable current portion	468,923	412,147
	<b>\$ 736,451</b>	<b>\$ 527,585</b>

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

During the year, principal payments of \$115,634 (2014 - \$206,876) were made towards these bank loans. Interest expensed for the year amounted to \$16,530 (2014 - \$25,288).

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.

## Eastern Ontario District of the Pentecostal Assemblies of Canada

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 12. Long-term debt

	<b>2015</b>	<b>2014</b>
Lakeshore Pentecostal Camp		
Mortgage on Lakeshore Pentecostal Camp property, bearing interest at 4.75%, repayable in monthly blended principal and interest payments of \$7,562, based on a 6-year amortization, due February 2016 but renewable for three further terms of three years	\$ 479,424	\$ 545,949
Ottawa Valley Pentecostal Camp		
Mortgage on Ottawa Valley Pentecostal Camp property, bearing interest at 4.75%, repayable in monthly blended principal and interest payments of \$3,394, based on an 8-year amortization, due February 2016 but renewable for four further terms of three years	271,643	298,360
Heritage Holdings		
Mortgage payable, bearing interest at 4.70%, repaid December 1, 2015	-	995,000
	<b>751,067</b>	<b>1,839,309</b>
Less: current portion	<b>97,258</b>	<b>182,751</b>
	<b>\$ 653,809</b>	<b>\$ 1,656,558</b>

During the year, \$1,088,242 (2014 - \$179,076) in long-term debt payments were made, including repayment of the Heritage Holdings mortgage payable to PFSG in full. Interest expensed on long-term debt during the year amounted to \$80,976 (2014 - \$92,899).

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.

Subsequent to year end, Lakeshore Pentecostal Camp renewed its existing mortgage and Ottawa Valley Pentecostal Camp refinanced its debt into one mortgage payable to the Pension Fund for \$502,029 based on a 15-year amortization period, in order to repay its debt to the General District (Note 13). Both mortgages bear interest at a new rate of 4.6% and have three-year terms commencing February 2016. 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:

2016	\$	97,258
2017		101,980
2018		106,931
2019		116,263
2020		117,504
Thereafter		211,131
	<b>\$</b>	<b>751,067</b>

# Eastern Ontario District of the Pentecostal Assemblies of Canada

## Notes to the Consolidated Financial Statements

December 31, 2015

### 13. Intercompany loans and transactions

	2015	2014
Heritage Holdings	\$ 3,230,196	\$ 2,251,962
Lakeshore Pentecostal Camp	590,689	1,233,749
Ottawa Valley Pentecostal Camp	116,476	246,148
Due to General District	\$ 3,937,361	\$ 3,731,859

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

The intercompany 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 \$50,907 (2014 - \$55,457) and is reflected in the net subsidies in the statement of activities (Note 14).

The District paid approximately \$11,445 (2014 - \$11,205) to the Ottawa Valley Pentecostal Camp for retreats held by the District at the Camp.

Lakeshore Pentecostal Camp charged Heritage Holdings \$7,500 (2014 - \$7,500) for grounds maintenance.

### 14. Net subsidies

Net subsidies include the following transactions:

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Subsidies	\$ (153,991)	\$ -	\$ 82,742	\$ 71,249	\$ -
Interest (Note 13)	50,907	-	(42,632)	(8,275)	-
Rent	(80,400)	80,400	-	-	-
	\$ (183,484)	\$ 80,400	\$ 40,110	\$ 62,974	\$ -

Interest charged by the General District to the camps is on account of the intercompany loans (Note 13).

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

### 15. Commitments

The District has contracted to lease various office equipment until 2017. The minimum rental cost for the next two years is as follows:

2016	\$ 15,000
2017	12,000



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# Eastern Ontario District of the Pentecostal Assemblies of Canada

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 16. Contingent liabilities

#### Guarantees

The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$1,735,820 (2014 - \$1,864,560) and the mortgages payable by Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp (Note 12). 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, 2015 is \$400,000 (2014 - \$400,000). These loans are unsecured.

During 2015, 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.

#### 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.

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### 17. Financial instruments

The District's main financial instrument exposure is detailed as follows:

#### Credit risk

The District is exposed to credit risk through accounts receivable and loans 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 (2014 - \$Nil).

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# **Eastern Ontario District of the Pentecostal Assemblies of Canada**

## **Notes to the Consolidated Financial Statements**

December 31, 2015

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### **17. Financial instruments (continued)**

#### **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 loans receivable, certificate loans, promissory notes payable, bank loan, 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 (2014 - \$Nil).

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### **18. Comparative amounts**

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the consolidated financial statements of 2015.