



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal
Assemblies of Canada

December 31, 2017

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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, 2017 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, 2017 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 4, 2018

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, 2017

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	2017 Total	2016 Total
Assets						
Current						
Cash	\$ 98,366	\$ -	\$ 139,282	\$ 108,893	\$ 346,541	\$ 538,743
Restricted cash (Note 3)	975,362	-	603,375	61,286	1,640,023	795,609
Accounts receivable	62,265	-	78,829	16,827	157,921	127,390
Prepaid expenses and deposits	91,616	-	22,385	4,666	118,667	82,960
Loan receivable (Note 4)	89,183	-	-	-	89,183	93,083
	<u>1,316,792</u>	<u>-</u>	<u>843,871</u>	<u>191,672</u>	<u>2,352,335</u>	<u>1,637,785</u>
Investments held by Lakeshore Foundation Fund (Note 5)	-	-	124,300	-	124,300	103,500
Property and equipment (Note 6)	136,741	500,000	4,321,021	832,788	5,790,550	6,695,206
Total assets	<u>\$ 1,453,533</u>	<u>\$ 500,000</u>	<u>\$ 5,289,192</u>	<u>\$ 1,024,460</u>	<u>\$ 8,267,185</u>	<u>\$ 8,436,491</u>
Liabilities and net assets						
Current						
Accounts payable and accrued liabilities	\$ 160,926	\$ -	\$ 22,394	\$ 3,174	\$ 186,494	\$ 189,320
Designated funds payable (Note 7)	134,424	-	603,375	61,286	799,085	695,315
Deferred gain on sale of property (Note 6)	-	141,716	-	-	141,716	-
Promissory notes payable (Note 8)	510,354	-	-	-	510,354	759,310
Current portion of bank loans (Note 9)	-	-	-	-	-	151,645
Current portion of long-term debt (Note 10)	-	-	-	-	-	96,865
	<u>805,704</u>	<u>141,716</u>	<u>625,769</u>	<u>64,460</u>	<u>1,637,649</u>	<u>1,892,455</u>
Long-term debt (Note 10)	-	-	-	-	-	794,599
Total liabilities	<u>805,704</u>	<u>141,716</u>	<u>625,769</u>	<u>64,460</u>	<u>1,637,649</u>	<u>2,687,054</u>
Net assets						
Invested in property and equipment	136,741	358,284	4,321,021	832,788	5,648,834	5,652,097
Unrestricted surplus (deficit)	(329,850)	-	218,102	127,212	15,464	(106,454)
Internally restricted	840,938	-	-	-	840,938	100,294
Endowment fund	-	-	124,300	-	124,300	103,500
Total net assets	<u>647,829</u>	<u>358,284</u>	<u>4,663,423</u>	<u>960,000</u>	<u>6,629,536</u>	<u>5,749,437</u>
Total liabilities and net assets	<u>\$ 1,453,533</u>	<u>\$ 500,000</u>	<u>\$ 5,289,192</u>	<u>\$ 1,024,460</u>	<u>\$ 8,267,185</u>	<u>\$ 8,436,491</u>

Contingent liabilities (Note 13)

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	2017 Total	2016 Total
Revenue						
Tithes						
Churches	\$ 2,459,066	\$ -	\$ -	\$ -	\$ 2,459,066	\$ 2,396,929
Credential holders	475,448	-	-	-	475,448	453,853
Sales and rentals	-	-	912,783	241,008	1,153,791	1,126,850
Donations and offerings	30,664	-	371,375	102,641	504,680	487,743
Ministries registration and offerings	271,980	-	-	-	271,980	237,265
Registration fees	3,175	-	135,362	77,581	216,118	222,205
Conferences and conventions	58,095	-	-	-	58,095	-
Interest and other	16,472	-	807	600	17,879	24,692
Rent	-	14,758	-	-	14,758	11,700
	<u>3,314,900</u>	<u>14,758</u>	<u>1,420,327</u>	<u>421,830</u>	<u>5,171,815</u>	<u>4,961,237</u>
Expenditures						
Salaries and benefits	1,047,661	-	335,760	148,412	1,531,833	1,447,623
Building and property	20,962	30,354	370,097	135,828	557,241	519,178
Camp operations	-	-	363,856	135,196	499,052	500,670
Administration and office	227,132	1,600	60,054	22,474	311,260	303,036
Bible colleges	266,036	-	-	-	266,036	253,987
Subsidies and donations	253,293	-	-	-	253,293	290,635
National Office tithes	247,423	-	-	-	247,423	239,693
Church ministries	244,210	-	-	-	244,210	200,761
Pastoral and church care	92,313	-	-	-	92,313	88,020
Missions	-	-	45,493	10,007	55,500	49,613
Interest and bank charges (Notes 8 and 9)	22,187	-	17,151	6,386	45,724	70,265
Interest on long-term debt (Note 10)	-	-	15,146	19,138	34,284	40,734
Conferences and conventions	131,870	-	-	-	131,870	32,704
	<u>2,553,087</u>	<u>31,954</u>	<u>1,207,557</u>	<u>477,441</u>	<u>4,270,039</u>	<u>4,036,919</u>
Excess (deficiency) of revenue over expenditures from operations	<u>761,813</u>	<u>(17,196)</u>	<u>212,770</u>	<u>(55,611)</u>	<u>901,776</u>	<u>924,318</u>
Amortization of property and equipment	(10,798)	(27,932)	(125,662)	(21,658)	(186,050)	(190,891)
Gain on sale of property (Note 6)	127,690	12,883	-	3,000	143,573	-
Net subsidies (Note 12)	(185,469)	67,000	47,220	71,249	-	-
	<u>(68,577)</u>	<u>51,951</u>	<u>(78,442)</u>	<u>52,591</u>	<u>(42,477)</u>	<u>(190,891)</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 693,236</u>	<u>\$ 34,755</u>	<u>\$ 134,328</u>	<u>\$ (3,020)</u>	<u>\$ 859,299</u>	<u>\$ 733,427</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	2017 Total	2016 Total
Consolidated net assets, beginning of year	\$ 5,652,097	\$ (106,454)	\$ 100,294	\$ 103,500	\$ 5,749,437	\$ 4,971,226
Excess (deficiency) of revenue over expenditures	(186,050)	989,854	55,495	-	859,299	733,427
Endowment contribution (Note 5)	-	-	-	20,800	20,800	44,784
Transfer to internally restricted net assets (Note 3)	-	(685,149)	685,149	-	-	-
Proceeds on sale of property	(1,193,319)	1,193,319	-	-	-	-
Gain on sale of property	143,573	(143,573)	-	-	-	-
Purchases of property and equipment	189,424	(189,424)	-	-	-	-
Repayment of bank loans	151,645	(151,645)	-	-	-	-
Repayment of long-term debt	<u>891,464</u>	<u>(891,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consolidated net assets, end of year	<u>\$ 5,648,834</u>	<u>\$ 15,464</u>	<u>\$ 840,938</u>	<u>\$ 124,300</u>	<u>\$ 6,629,536</u>	<u>\$ 5,749,437</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

2017

2016

Increase (decrease) in cash

Operating		
Excess of revenue over expenditures	\$ 859,299	\$ 733,427
Endowment contribution (Note 5)	20,800	44,784
Items not involving cash		
Amortization of property and equipment	186,050	190,891
Gain on sale of property (Note 6)	<u>(143,573)</u>	<u>-</u>
	<u>922,576</u>	<u>969,102</u>
Net change in non-cash working capital balances		
Accounts receivable	(30,531)	(15,569)
Prepaid expenses and deposits	(35,707)	3,247
Accounts payable and accrued liabilities	(2,826)	10,398
Designated funds payable	<u>103,770</u>	<u>82,594</u>
	<u>34,706</u>	<u>80,670</u>
	<u>957,282</u>	<u>1,049,772</u>
Financing		
Repayment of promissory notes payable	(248,956)	(368,902)
Repayment of bank loans (Note 9)	(151,645)	(584,806)
Proceeds of long term debt	-	234,308
Repayment of long-term debt (Note 10)	<u>(891,464)</u>	<u>(93,911)</u>
	<u>(1,292,065)</u>	<u>(813,311)</u>
Investing		
Proceeds from loan receivable	3,900	-
Purchase of investments held by Lakeshore Foundation Fund (Note 5)	(20,800)	(44,784)
Proceeds from sale of property (Note 6)	1,193,319	-
Purchases of property and equipment	<u>(189,424)</u>	<u>(150,966)</u>
	<u>986,995</u>	<u>(195,750)</u>
Net change in cash during the year	652,212	40,711
Cash, beginning of year	<u>1,334,352</u>	<u>1,293,641</u>
Cash, end of year	<u>\$ 1,986,564</u>	<u>\$ 1,334,352</u>
Cash consists of:		
Cash	\$ 346,541	\$ 538,743
Restricted cash	<u>1,640,023</u>	<u>795,609</u>
	<u>\$ 1,986,564</u>	<u>\$ 1,334,352</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, 2017

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. 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 (which includes Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp) and Eastern Ontario Heritage Holdings (Non-Profit) ("Heritage Holdings").

Heritage Holdings is 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.

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.

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 internally restricted funds for environmental advance funding for the camps and the Church health and multiplication - PAOC 20/20 initiative.

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.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

Fund accounting (continued)

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 5).

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, 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. Interest and other revenue is recognized when earned. 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, 2017

2. 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, investments held by the Lakeshore Foundation Fund (Note 5), accounts payable, and promissory notes payable. 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.

3. Restricted cash

The restricted cash balance is set aside for the following commitments:

	<u>2017</u>	<u>2016</u>
Designated funds payable	\$ 799,085	\$ 695,315
Internally restricted net assets		
Environmental advance funding for the camps	685,149	-
Church health and multiplication – PAOC 20/20 initiative	<u>155,789</u>	<u>100,294</u>
	<u>\$ 1,640,023</u>	<u>\$ 795,609</u>

4. Loan receivable

The loan is receivable from a church, due on demand, interest free, and is secured by the church property.

5. Investments held by Lakeshore Foundation Fund

During the year, Lakeshore Pentecostal Camp received endowment contributions of \$20,800 (2016 - \$44,784) 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 2.87% 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 \$2,458 (2016 - \$1,813) earned on the fund is included in designated funds payable under camp sponsorships (Note 7).

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2017

6. Property and equipment

	2017			2016
	Cost	Accumulated Amortization	Net	Net
General District				
Land held	\$ 20,837	\$ -	\$ 20,837	\$ 62,495
Buildings	182,392	92,902	89,490	93,219
Computers	121,450	102,292	19,158	10,629
Equipment	228,604	221,348	7,256	9,068
	<u>553,283</u>	<u>416,542</u>	<u>136,741</u>	<u>175,411</u>
Heritage Holdings				
Land	500,000	-	500,000	696,000
Buildings	-	-	-	376,230
Site improvements	-	-	-	322,074
	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>1,394,304</u>
Lakeshore Pentecostal Camp				
Land	2,080,000	-	2,080,000	2,080,000
Buildings	3,778,896	1,754,532	2,024,364	1,994,720
Equipment	768,896	639,358	129,538	140,067
Site improvements and signs	394,513	338,538	55,975	62,310
Drainage	163,297	134,091	29,206	32,451
Vehicles	163,324	161,386	1,938	2,770
	<u>7,348,926</u>	<u>3,027,905</u>	<u>4,321,021</u>	<u>4,312,318</u>
Ottawa Valley Pentecostal Camp				
Land	560,000	-	560,000	560,000
Buildings	863,619	641,332	222,287	192,279
Equipment	220,471	198,010	22,461	24,919
Site improvements	256,738	238,009	18,729	23,414
Vehicles	64,047	55,293	8,754	11,865
Computers	2,195	1,638	557	696
	<u>1,967,070</u>	<u>1,134,282</u>	<u>832,788</u>	<u>813,173</u>
	<u>\$ 10,369,279</u>	<u>\$ 4,578,729</u>	<u>\$ 5,790,550</u>	<u>\$ 6,695,206</u>

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.

During 2017, the District assumed the assets of two local churches that ceased operations in 2017. The district received cash proceeds totaling \$169,348 and has recorded these amounts in the statement of operations in gain on sale of property.

During 2017, the District transferred ownership of a church property lease in Iqaluit to Iqaluit Pentecostal Church. The balance in the accounts of \$41,658 was written off.

During 2017, Heritage Holdings sold a parcel of land and buildings in Cobourg, Ontario for cash proceeds of \$1,100,000. As part of the sale agreement, the District has subsequently leased property back for the use of the District office for two years. Therefore, the Heritage Holdings recognized a gain of \$12,883 and deferred the remaining gain of \$141,716 to be recognized into revenue over the term of the lease. The District has committed to a two year lease to October, 2019 requiring lease payments of \$66,000 in fiscal 2018 and \$55,000 in fiscal 2019.

During 2017, Ottawa Valley Pentecostal Church sold a fully amortized vehicle for cash proceeds of \$3,000.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2017

7. Designated funds payable

	January 1, 2017	Increases	Decreases	December 31, 2017
General District				
Women's Network				
L.I.F.E. Funds	\$ 114,806	\$ 55,577	\$ 55,577	\$ 114,806
Ministers Assistance Program	-	19,313	-	19,313
Camp Echo	5,582	1,419	7,001	-
Capital Equipment	-	4,000	3,695	305
Single Mom's Camp	-	17	17	-
Special Pension				
Emergency Fund	1,490	-	1,490	-
Cardinal Support	1,400	-	1,400	-
Camp Iqaluit	794	-	794	-
	<u>124,072</u>	<u>80,326</u>	<u>69,974</u>	<u>134,424</u>
Lakeshore Pentecostal Camp				
Environmental upgrade fund	496,558	82,722	49,143	530,137
Capital funds	37,067	94,843	69,590	62,320
Camp registrations	-	4,762	-	4,762
Camp sponsorships	3,034	5,650	4,884	3,800
Memorial fund	2,501	815	960	2,356
Debt reduction	30	15	45	-
Missions	-	32,633	32,633	-
Women's Network	-	445	445	-
	<u>539,190</u>	<u>221,885</u>	<u>157,700</u>	<u>603,375</u>
Ottawa Valley Pentecostal Camp				
Environmental upgrade fund	23,671	19,500	3,009	40,162
Memorial fund	6,542	4,490	-	11,032
Capital funds	607	10,208	815	10,000
Camp sponsorships	1,233	1,300	2,448	85
Missions	-	10,007	10,000	7
	<u>32,053</u>	<u>45,505</u>	<u>16,272</u>	<u>61,286</u>
	<u>\$ 695,315</u>	<u>\$ 347,716</u>	<u>\$ 243,946</u>	<u>\$ 799,085</u>

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2017

8. Promissory notes payable

	2017	2016
Promissory notes payable to churches and related organizations, unsecured, bearing interest rates to a maximum of 3.05%, redeemable on demand	\$ 500,534	\$ 749,310
Promissory notes payable to individuals, unsecured, bearing interest rates to a maximum of 2.70%, redeemable on demand	10,000	10,000
	\$ 510,354	\$ 759,310

Interest expensed for the year amounted to \$19,482 (2016 - \$23,775).

9. Bank loans

	2017	2016
Bank loan, payable in monthly blended principal and interest payments of \$12,862, bearing interest at 3.27%, due December 22, 2017	\$ -	\$ 151,645

Interest expensed for the year amounted to \$2,705 (2016 - \$20,255).

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.

10. Long-term debt

	2017	2016
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	\$ -	\$ 410,405
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	-	481,059
	-	891,464
Less: current portion	-	96,865
	\$ -	\$ 794,599

During the year, the District used the proceeds from the sale of the property (Note 6) to extinguish all debt relating to the Lakeshore Pentecostal Camp and the Ottawa Valley Pentecostal. Interest expensed on long-term debt during the year amounted to \$34,284 (2016 - \$40,734).

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2017

11. Interfund loans and transactions

	2017	2016
Heritage Holdings	\$ -	\$ 3,195,873
Lakeshore Pentecostal Camp	-	346,704
Due to General District	\$ -	\$ 3,542,577

During the year, the District Executive made the decision to reduce the interfund loans to zero.

The interfund loans to Lakeshore Pentecostal Camp incurred interest at 3.27%. Interest was charged to the Lakeshore Pentecostal Camp in the amount of \$35,521 (2016 - \$39,767) and is reflected in the net subsidies in the statement of activities (Note 12). The District paid approximately \$10,439 (2016 - \$9,960) to the Ottawa Valley Pentecostal Camp for retreats held by the District at the Camp during the year.

Lakeshore Pentecostal Camp charged Heritage Holdings \$6,458 (2016 - \$7,750) for grounds maintenance.

12. 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 11)	35,521	-	(35,521)	-	-
Rent	(67,000)	67,000	-	-	-
	\$ (185,469)	\$ 67,000	\$ 47,220	\$ 71,249	\$ -

Interest charged by the General District to the camps is on account of the interfund loans (Note 11).

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

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13. Contingent liabilities

Guarantees

As at December 31, 2017, the District is the guarantor of loans and mortgages for various churches in the amount of \$898,861 (2016 - \$1,832,546). These loans and mortgages are secured by the properties of the churches. 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, 2017 is \$400,000 (2016 - \$400,000). These loans are unsecured.

During 2017, 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 \$660,247, with the term expiring on July 31, 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 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 2016 disclosed that the contribution schedule previously established was inadequate to fund the promised benefit. Additional contributions in the form of special payments have been required. During the year, the District's annual share of the special payments was \$12,883 (2016 - \$25,000). Monthly special payments are not expected to continue.

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14. 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 honor these obligations. The District performs ongoing evaluations and limits the amount of credit extended when considered necessary. The allowance for doubtful accounts is \$Nil (2016 - \$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 (2016 - \$Nil).

