



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal
Assemblies of Canada

December 31 , 2013

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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, 2013 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, 2013 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 1, 2014

Chartered 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	2013 Total	2012 Total
Assets						
Current						
Cash	\$ 196,994	\$ -	\$ -	\$ 51,305	\$ 249,299	\$ 232,140
Restricted cash (Note 4)	198,488	-	340,083	4,088	542,659	647,506
Accounts receivable	15,413	-	82,484	18,046	115,943	191,093
Inventory	1,000	-	4,338	3,185	8,523	10,859
Prepaid expenses and deposits	52,053	-	16,405	1,886	70,344	63,311
Loans receivable (Note 5)	126,646	-	-	-	126,646	134,529
	590,594	-	443,310	78,510	1,113,414	1,279,438
Investments held by Lakeshore Foundation Fund (Note 6)	-	-	44,500	-	43,500	36,000
Property and equipment (Note 7)	311,753	1,431,590	4,437,834	846,905	7,028,082	7,034,968
Total assets	\$ 902,347	\$ 1,431,590	\$ 4,925,644	\$ 925,415	\$ 8,184,996	\$ 8,350,406
Liabilities and net assets						
Current						
Accounts payable and accrued liabilities	\$ 180,255	\$ 4,191	\$ 12,867	\$ 1,130	\$ 198,443	\$ 224,727
Designated funds payable (Note 8)	130,252	-	340,083	4,088	474,423	410,706
Promissory notes payable (Note 9)	1,302,208	-	-	-	1,302,208	1,515,795
Current portion of bank loan (Note 10)	106,788	-	-	-	106,788	70,353
Renewable portion of bank loan (Note 10)	627,673	-	-	-	627,673	1,034,664
Current portion of long-term debt (Note 11)	-	70,000	62,908	25,268	158,176	154,033
Intercompany loans (Note 12)	(3,671,127)	2,135,567	1,281,251	254,309	-	-
	(1,323,951)	2,209,758	1,697,109	284,795	2,867,711	3,410,278
Long-term debt (Note 11)	-	1,015,000	546,614	298,595	1,860,209	2,019,240
Total liabilities	(1,323,951)	3,224,758	2,243,723	583,390	4,727,920	5,429,518
Net assets						
Invested in property and equipment	311,753	346,590	3,218,709	398,183	4,275,235	3,756,677
Unrestricted	1,846,309	(2,139,758)	(581,288)	(56,158)	(930,895)	(932,530)
Internally restricted (Note 4)	68,236	-	-	-	68,236	59,800
Endowment fund (Note 6)	-	-	44,500	-	44,500	36,941
Total net assets	2,226,298	(1,793,168)	2,681,921	342,025	3,457,076	2,920,888
Total liabilities and net assets	\$ 902,347	\$ 1,431,590	\$ 4,925,644	\$ 925,415	\$ 8,184,996	\$ 8,350,406

On behalf of the Board



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	2013 Total	2012 Total
Revenue						
Tithes						
Churches	\$ 2,233,018	\$ -	\$ -	\$ -	\$ 2,233,018	\$ 2,285,632
Credential holders	376,928	-	-	-	376,928	389,385
Sales and rentals	-	-	780,580	228,465	1,009,045	992,967
Donations and offerings	58,434	-	357,925	101,823	518,182	544,652
Ministries registration and offerings	236,575	-	-	-	236,575	234,520
Registration fees	3,950	-	146,484	71,567	222,001	219,259
Chaplaincy government contracts	72,560	-	-	-	72,560	102,940
Interest and other	48,321	-	3,346	519	52,186	41,883
Conferences and conventions	39,722	-	-	-	39,722	3,000
Rent	-	15,050	-	-	15,050	23,300
	<u>3,069,508</u>	<u>15,050</u>	<u>1,288,335</u>	<u>402,374</u>	<u>4,775,267</u>	<u>4,837,538</u>
Expenditures						
Salaries and benefits	840,048	-	281,220	109,847	1,231,115	1,197,649
Camp operations	-	-	359,897	121,761	481,658	453,048
Building and property	29,166	32,999	268,589	93,458	424,212	461,963
Subsidies and donations	348,275	-	-	-	348,275	231,265
Administration and office	220,932	1,985	69,096	20,677	312,690	326,593
Bible colleges	237,302	-	-	-	237,302	246,563
National Office tithes	225,652	-	-	-	225,652	231,078
Church ministries	202,011	-	-	-	202,011	188,105
Interest and bank charges	103,822	-	15,897	6,586	126,305	141,740
Conferences and conventions	125,629	-	-	-	125,629	83,529
Interest on long-term debt	-	54,014	30,221	15,855	100,090	107,645
Designated funds	-	-	73,646	12,959	86,605	128,356
Pastoral and church care	85,458	-	-	-	85,458	81,822
Chaplain salaries	59,512	-	-	-	59,512	85,533
	<u>2,477,807</u>	<u>88,998</u>	<u>1,098,566</u>	<u>381,143</u>	<u>4,046,514</u>	<u>3,964,889</u>
Excess (deficiency) of revenue over expenditures from operations	<u>591,701</u>	<u>(73,948)</u>	<u>189,769</u>	<u>21,231</u>	<u>728,753</u>	<u>872,649</u>
Amortization of property and equipment	(14,533)	(30,230)	(129,697)	(26,605)	(201,065)	(198,602)
Net subsidies (Note13)	<u>(145,647)</u>	<u>80,400</u>	<u>8,739</u>	<u>56,508</u>	<u>-</u>	<u>-</u>
	<u>(160,180)</u>	<u>50,170</u>	<u>(120,958)</u>	<u>29,903</u>	<u>(201,065)</u>	<u>(198,602)</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 431,521</u>	<u>\$ (23,778)</u>	<u>\$ 68,811</u>	<u>\$ 51,134</u>	<u>\$ 527,688</u>	<u>\$ 674,047</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	2013 Total	2012 Total
Consolidated net assets (deficit), beginning of year	\$ 3,756,677	\$ (932,530)	\$ 59,800	\$ 36,941	\$ 2,920,888	\$ 2,235,841
Excess (deficiency) of revenue over expenditures	(201,065)	729,694	-	(941)	527,688	674,047
Interfund transfers (Note 4)	-	(8,436)	8,436	-	-	-
Endowment contribution (Note 6)	-	-	-	8,500	8,500	11,000
Purchases of property and equipment	194,179	(194,179)	-	-	-	-
Repayment of bank loan	370,556	(370,556)	-	-	-	-
Repayment of long-term debt	154,888	(154,888)	-	-	-	-
Consolidated net assets (deficit), end of year	<u>\$ 4,275,235</u>	<u>\$ (930,895)</u>	<u>\$ 68,236</u>	<u>\$ 44,500</u>	<u>\$ 3,457,076</u>	<u>\$ 2,920,888</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

2013

2012

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 527,688	\$ 674,047
Endowment contribution (Note 6)	8,500	11,000
Item not involving cash		
Amortization of property and equipment	<u>201,065</u>	<u>198,602</u>
	<u>737,253</u>	<u>883,649</u>

Net change in non-cash working capital balances

Accounts receivable	75,150	(41,640)
Inventory	2,336	3,326
Prepaid expenses and deposits	(7,033)	21,653
Accounts payable and accrued liabilities	(26,284)	(35,405)
Designated funds payable	<u>63,717</u>	<u>(937)</u>
	<u>107,886</u>	<u>(54,003)</u>
	<u>845,139</u>	<u>829,646</u>

Financing

Proceeds of promissory notes payable	-	90,000
Repayment of promissory notes payable	(213,587)	(85,691)
Repayment of bank loan	(370,556)	(181,778)
Repayment of long-term debt	<u>(154,888)</u>	<u>(150,770)</u>
	<u>(739,031)</u>	<u>(328,239)</u>

Investing

Net change in loans receivable	7,883	6,060
Purchase of investments held by Lakeshore Foundation (Note 6)	(7,500)	(11,000)
Purchase of property and equipment	<u>(194,179)</u>	<u>(244,771)</u>
	<u>(193,796)</u>	<u>(249,711)</u>

Net change in cash during the year

(87,688) 251,696

Cash, beginning of year

879,646 627,950

Cash, end of year

\$ 791,958 \$ 879,646

Cash consists of:

Cash	\$ 249,299	\$ 232,140
Restricted cash	<u>542,659</u>	<u>647,506</u>
	<u>\$ 791,958</u>	<u>\$ 879,646</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, 2013

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 the District which are affiliated with The Pentecostal Assemblies of Canada (the "PAOC"). The District is an Ontario not-for-profit corporation established on May 17, 1919, 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 net working capital position of the District (excluding the renewable portion of the bank loan which management expects to renew in 2014) 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 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 lives of property and equipment. Actual results could differ from these estimates.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Financial Statements

December 31, 2013

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 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 in 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, chaplaincy government contracts 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.

Inventory

Inventory is stated at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Financial Statements

December 31, 2013

3. Summary of significant accounting policies (continued)

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	10% - 20%
Drainage	10%
Vehicles	30%
Signs	20%

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, accounts receivable, certificate loans receivable held by the Lakeshore Foundation Fund (Note 6), accounts payable, promissory notes payable, bank loan payable, 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 statement of activities.

4. Restricted cash

Restricted cash is set aside for designated funds payable and internally restricted funds.

5. Loans receivable

Loans receivable comprise church planting 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 Financial Statements

December 31, 2013

6. Investments held by Lakeshore Foundation Fund

During the year, Lakeshore Pentecostal Camp received endowment contributions of \$8,500 (2012 - \$11,000) 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 3.05% and 3.3% and mature in 2016.

The Lakeshore Foundation Fund was established in 2011. Income earned on the endowment investment is to be used to subsidize camp registration fees for children and youth.

7. Property and equipment

	2013			2012
	Cost	Accumulated Amortization	Net	Net
General District				
Land held for Church planting	\$ 190,734	\$ -	\$ 190,734	\$ 190,734
Buildings	165,401	77,570	87,831	86,369
Computers	99,234	80,432	18,802	23,031
Equipment	226,712	212,326	14,386	17,984
	<u>682,081</u>	<u>370,328</u>	<u>311,753</u>	<u>318,118</u>
Heritage Holdings				
Land	696,000	-	696,000	696,000
Buildings	810,342	384,994	425,348	443,072
Site improvements	635,813	325,571	310,242	302,549
	<u>2,142,155</u>	<u>710,565</u>	<u>1,431,590</u>	<u>1,441,621</u>
Lakeshore Pentecostal Camp				
Land	2,080,000	-	2,080,000	2,080,000
Buildings	3,487,045	1,389,132	2,097,913	2,129,745
Equipment	687,333	545,415	141,918	155,091
Site improvements and signs	381,880	311,080	70,800	78,945
Drainage	163,297	118,783	44,514	49,459
Vehicles	160,860	158,171	2,689	3,235
	<u>6,960,415</u>	<u>2,522,581</u>	<u>4,437,834</u>	<u>4,496,475</u>
Ottawa Valley Pentecostal Camp				
Land	560,000	-	560,000	560,000
Buildings	800,089	609,650	190,439	148,684
Site improvements	256,739	211,007	45,732	39,157
Equipment	213,838	171,893	41,945	18,600
Vehicles	63,574	56,142	7,432	10,617
Computers	2,194	837	1,357	1,696
	<u>1,896,434</u>	<u>1,049,529</u>	<u>846,905</u>	<u>778,754</u>
	<u>\$ 11,681,085</u>	<u>\$ 4,653,003</u>	<u>\$ 7,028,082</u>	<u>\$ 7,034,968</u>

The District is registered on the title of certain of the churches in the District. 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 Financial Statements

December 31, 2013

8. Designated funds payable

	January 1, 2013	Increases	Decreases	December 31, 2013
General District				
Women's Network				
L.I.F.E. Funds	\$ 114,806	\$ 41,981	\$ 41,981	\$ 114,806
Special Pension Payments				
Emergency Fund	9,969	-	2,353	7,616
Single Mom's Camp	8,286	5,798	8,286	5,798
Camp Iqaluit	-	8,710	6,678	2,032
Pastor's assistance	-	5,100	5,100	-
Draffin Inn	9,622	-	9,622	-
Campus ministry	-	2,500	2,500	-
Hutchinson Fund	-	1,000	1,000	-
Other	1,150	-	1,150	-
	<u>143,833</u>	<u>65,089</u>	<u>78,670</u>	<u>130,252</u>
Lakeshore Pentecostal Camp				
Environmental upgrade fund	250,485	89,756	26,715	313,526
Capital funds	10,850	15,309	10,264	15,895
Memorial fund	-	6,738	1,206	5,532
Tabernacle renovations	-	31,294	28,790	2,504
Camp Echo	-	20,851	19,261	1,590
Camp sponsorships	1,676	6,928	7,568	1,036
Missions	-	34,974	34,974	-
Women's Network	-	13,254	13,254	-
Debt reduction	-	500	500	-
	<u>263,011</u>	<u>219,604</u>	<u>142,532</u>	<u>340,083</u>
Ottawa Valley Pentecostal Camp				
Memorial fund	3,345	1,700	1,265	3,780
Camp sponsorships	229	794	715	308
Missions	-	12,079	12,079	-
Capital funds	288	1,186	1,474	-
Ministry offerings	-	680	680	-
	<u>3,862</u>	<u>16,439</u>	<u>16,213</u>	<u>4,088</u>
	<u>\$ 410,706</u>	<u>\$ 301,132</u>	<u>\$ 237,415</u>	<u>\$ 474,423</u>

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Financial Statements

December 31, 2013

9. Promissory notes payable

	<u>2013</u>	<u>2012</u>
Promissory notes from churches and related organizations, unsecured, bearing interest rates to a maximum of 3.25%, redeemable on demand	\$ 1,107,221	\$ 1,111,712
Promissory notes from individuals, unsecured, bearing interest rates to a maximum of 3.0%, redeemable on demand	<u>194,987</u>	<u>404,083</u>
	<u>\$ 1,302,208</u>	<u>\$ 1,515,795</u>

Interest expensed for the year amounted to \$41,300 (2012 - \$44,645).

10. Bank loan

	<u>2013</u>	<u>2012</u>
District loan, secured by the land located at the Lakeshore and Ottawa Valley Pentecostal Camps, payable in monthly blended principal and interest payments of \$11,014, bearing interest at 3.7%, due December 22, 2014.	\$ 734,461	\$ 1,105,017
Less: current portion and renewable portion	<u>734,461</u>	<u>1,105,017</u>
	<u>\$ -</u>	<u>\$ -</u>

During the year, the District made principal payments of \$370,556 (2012 - \$181,778) towards its bank loan. Interest expensed for the year amounted to \$61,577 (2012 - \$73,127).

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 3.75%. No such indebtedness was incurred during the year.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Financial Statements

December 31, 2013

11. Long-term debt

	2013	2012
Heritage Holdings		
Mortgage payable, secured by property, bearing interest at 4.70%, repayable in annual principal payments of \$70,000, interest payable semi-annually with interest payments, on June 1 and December 1, due December 2015	\$ 1,085,000	\$ 1,155,000
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, due February 2016 but renewable for three further terms of three years	609,522	669,996
Ottawa Valley Pentecostal		
Mortgage on Ottawa Valley Pentecostal Camp property, bearing interest at 4.75%, repayable in monthly blended principal and interest payments of \$3,394, due February 2016 but renewable for four further terms of three years	<u>323,863</u>	<u>348,277</u>
	2,018,385	2,173,273
Less: current portion	<u>158,176</u>	<u>154,033</u>
	<u>\$ 1,860,209</u>	<u>\$ 2,019,240</u>

During the year, \$154,888 (2012 - \$150,770) in long-term debt payments were made. Interest expensed on long-term debt during the year amounted to \$100,090 (2012 - \$107,645).

The Heritage Holdings mortgage is payable to PFSG.

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 and an assignment of insurance proceeds.

It is management's intention to renew these mortgages as they come due. Future minimum principal payments are expected to be as follows:

2014	\$	158,176
2015		182,435
2016		186,923
2017		191,628
2018		226,562
Thereafter		<u>1,072,661</u>
		<u>\$ 2,018,385</u>

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Financial Statements

December 31, 2013

12. Intercompany loans

	2013	2012
Heritage Holdings	\$ 2,135,567	\$ 2,059,048
Lakeshore Pentecostal Camp	1,281,251	1,405,547
Ottawa Valley Pentecostal Camp	254,309	264,308
Due to General District	\$ 3,671,127	\$ 3,728,903

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 3.8% with terms for principal repayment. Interest was charged to the two camp funds in the amount of \$88,744 (2012 - \$84,360) and is reflected in the net subsidies in the statement of activities (Note 13).

13. Net subsidies

Net subsidies include the following transactions:

	General District	Heritage Holding	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Subsidies	\$ (153,991)	\$ -	\$ 82,742	\$ 71,249	\$ -
Interest (Note 12)	88,744	-	(74,003)	(14,741)	-
Rent	(80,400)	80,400	-	-	-
	\$ (145,647)	\$ 80,400	\$ 8,739	\$ 56,508	\$ -

Subsidies from the General District fund to the camps represent a portion of the tithes collected by the General District which have been allocated to the camps on a predetermined basis.

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

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

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14. Related party transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

In addition to those noted elsewhere, related party transactions during the year were as follows:

The District paid approximately \$17,833 (2012 - \$18,000) to the Ottawa Valley Pentecostal Camp for retreats held by the District at the Camp.

Lakeshore Pentecostal Camp charges Heritage Holdings \$7,500 (2012 - \$7,500) for grounds maintenance.

The District charged interest of 5% on the historical cost of the property owned by the District and used by the Family Worship Centre - Courtice. The resulting amount of \$22,600 (2012 - \$22,506) was provided to the church as a subsidy.

15. Commitments

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

2014	\$	15,000
2015		15,000
2016		15,000
2017		12,000

16. Contingent liabilities

Guarantees

The District has guaranteed an annuity loan held by the PAOC in the amount of \$9,450 (2012 - \$9,450). The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$1,990,801 (2012 - \$2,111,175) 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, 2013 is \$537,500 (2012 - \$730,000). These loans are unsecured.

During 2010, 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 \$640,000, with the term expiring on July 31, 2015.

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16. Contingent liabilities (continued)

Environmental assessment

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.

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 2012 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 share of the special payments was \$26,763 in 2013 (2012 - \$26,762). Monthly special payments are expected to continue until the District's portion of the Plan is adequately funded.

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.

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.

18. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2013 financial statements.
