



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal
Assemblies of Canada

December 31, 2014

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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, 2014 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, 2014 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
March 30, 2015

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	2014 Total	2013 Total
Assets						
Current						
Cash	\$ 343,413	\$ -	\$ 81,469	\$ 84,471	\$ 509,353	\$ 249,299
Restricted cash (Note 4)	242,275	-	392,082	6,875	641,232	542,659
Accounts receivable	16,742	-	76,972	9,481	103,195	115,943
Inventory	1,000	-	4,163	3,655	8,818	8,523
Prepaid expenses and deposits	45,166	-	17,196	5,576	67,938	70,344
Loans receivable (Note 5)	<u>115,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,073</u>	<u>126,646</u>
	763,669	-	571,882	110,058	1,445,609	1,113,414
Investments held by Lakeshore Foundation Fund (Note 6)	-	-	58,000	-	58,000	43,500
Land held for sale (Note 7)	128,239	-	-	-	128,239	-
Property and equipment (Note 8)	<u>187,804</u>	<u>1,429,674</u>	<u>4,387,824</u>	<u>826,052</u>	<u>6,831,354</u>	<u>7,028,082</u>
Total assets	<u>\$ 1,079,712</u>	<u>\$ 1,429,674</u>	<u>\$ 5,017,706</u>	<u>\$ 936,110</u>	<u>\$ 8,463,202</u>	<u>\$ 8,184,996</u>
Liabilities and net assets						
Current						
Accounts payable and accrued liabilities	\$ 132,348	\$ 4,314	\$ 61,894	\$ 2,091	\$ 200,647	\$ 198,443
Designated funds payable (Note 9)	139,339	-	392,082	6,875	538,296	474,423
Promissory notes payable (Note 10)	1,221,790	-	-	-	1,221,790	1,302,208
Current portion of bank loan (Note 11)	38,539	-	-	-	38,539	106,788
Renewable portion of bank loan (Note 11)	489,046	-	-	-	489,046	627,673
Current portion of long-term debt (Note 12)	-	90,000	66,237	26,514	182,751	158,176
Intercompany loans (Note 13)	<u>(3,731,859)</u>	<u>2,251,962</u>	<u>1,233,749</u>	<u>246,148</u>	<u>-</u>	<u>-</u>
	(1,710,797)	2,346,276	1,753,962	281,628	2,671,069	2,867,711
Long-term debt (Note 12)	<u>-</u>	<u>905,000</u>	<u>479,712</u>	<u>271,846</u>	<u>1,656,558</u>	<u>1,860,209</u>
Total liabilities	<u>(1,710,797)</u>	<u>3,251,276</u>	<u>2,233,674</u>	<u>553,474</u>	<u>4,327,627</u>	<u>4,727,920</u>
Net assets						
Invested in property and equipment	316,043	434,674	3,335,709	506,272	4,592,698	4,275,235
Unrestricted	2,371,530	(2,256,276)	(609,677)	(123,636)	(618,059)	(930,895)
Internally restricted (Note 4)	102,936	-	-	-	102,936	68,236
Endowment fund (Note 6)	<u>-</u>	<u>-</u>	<u>58,000</u>	<u>-</u>	<u>58,000</u>	<u>44,500</u>
Total net assets	<u>2,790,509</u>	<u>(1,821,602)</u>	<u>2,784,032</u>	<u>382,636</u>	<u>4,135,575</u>	<u>3,457,076</u>
Total liabilities and net assets	<u>\$ 1,079,712</u>	<u>\$ 1,429,674</u>	<u>\$ 5,017,706</u>	<u>\$ 936,110</u>	<u>\$ 8,463,202</u>	<u>\$ 8,184,996</u>

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	2014 Total	2013 Total
Revenue						
Tithes						
Churches	\$ 2,310,378	\$ -	\$ -	\$ -	\$ 2,310,378	\$ 2,233,018
Credential holders	434,226	-	-	-	434,226	376,928
Sales and rentals	-	-	832,063	208,100	1,040,163	1,009,045
Donations and offerings	17,122	-	395,624	120,075	532,821	518,182
Ministries registration and offerings	193,054	-	-	-	193,054	236,575
Registration fees	2,550	-	120,619	73,316	196,485	222,001
Chaplaincy government contracts	-	-	-	-	-	72,560
Interest and other	40,069	-	1,633	1,835	43,537	52,186
Conferences and conventions	-	-	-	-	-	39,722
Rent	-	16,400	-	-	16,400	15,050
	<u>2,997,399</u>	<u>16,400</u>	<u>1,349,939</u>	<u>403,326</u>	<u>4,767,064</u>	<u>4,775,267</u>
Expenditures						
Salaries and benefits	862,408	-	314,805	115,745	1,292,958	1,231,115
Building and property	25,734	42,532	324,524	109,478	502,268	424,212
Camp operations	-	-	337,849	117,281	455,130	481,658
Administration and office	229,456	1,600	70,469	18,427	319,952	312,690
Subsidies and donations	305,152	-	-	-	305,152	348,275
Bible colleges	241,784	-	-	-	241,784	237,302
National Office tithes	232,421	-	-	-	232,421	225,652
Church ministries	173,307	-	-	-	173,307	202,011
Interest on long-term debt (Note 13)	-	51,117	27,170	14,612	92,899	100,090
Designated funds	-	-	76,764	13,295	90,059	86,605
Interest and bank charges (Notes 11 and 12)	62,144	-	19,439	7,143	88,726	126,305
Pastoral and church care	80,589	-	-	-	80,589	85,458
Conferences and conventions	28,273	-	-	-	28,273	125,629
Chaplain salaries	-	-	-	-	-	59,512
	<u>2,241,268</u>	<u>95,249</u>	<u>1,171,020</u>	<u>395,981</u>	<u>3,903,518</u>	<u>4,046,514</u>
Excess (deficiency) of revenue over expenditures from operations	<u>756,131</u>	<u>(78,849)</u>	<u>178,919</u>	<u>7,345</u>	<u>863,546</u>	<u>728,753</u>
Amortization of property and equipment	(12,986)	(29,985)	(126,725)	(28,851)	(198,547)	(201,065)
Net subsidies (Note 15)	<u>(178,934)</u>	<u>80,400</u>	<u>36,417</u>	<u>62,117</u>	<u>-</u>	<u>-</u>
	<u>(191,920)</u>	<u>50,415</u>	<u>(90,308)</u>	<u>33,266</u>	<u>(198,547)</u>	<u>(201,065)</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 564,211</u>	<u>\$ (28,434)</u>	<u>\$ 88,611</u>	<u>\$ 40,611</u>	<u>\$ 664,999</u>	<u>\$ 527,688</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	2014 Total	2013 Total
Consolidated net assets (deficit), beginning of year	\$ 4,275,236	\$ (930,896)	\$ 68,236	\$ 44,500	\$ 3,457,076	\$ 2,920,888
Excess (deficiency) of revenue over expenditures	(198,547)	828,846	34,700	-	664,999	527,688
Endowment contribution (Note 8)	-	-	-	13,500	13,500	8,500
Purchases of property and equipment	130,058	(130,058)	-	-	-	-
Repayment of bank loan	206,876	(206,876)	-	-	-	-
Repayment of long-term debt	<u>179,076</u>	<u>(179,076)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consolidated net assets (deficit), end of year	<u>\$ 4,592,699</u>	<u>\$ (618,060)</u>	<u>\$ 102,936</u>	<u>\$ 58,000</u>	<u>\$ 4,135,575</u>	<u>\$ 3,457,076</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

2014

2013

Increase (decrease) in cash

Operating		
Excess of revenue over expenditures	\$ 664,999	\$ 527,688
Endowment contribution (Note 8)	13,500	8,500
Item not involving cash		
Amortization of property and equipment	<u>198,547</u>	<u>201,065</u>
	<u>877,046</u>	<u>737,253</u>
Net change in non-cash working capital balances		
Accounts receivable	12,748	75,150
Inventory	(295)	2,336
Prepaid expenses and deposits	2,406	(7,033)
Accounts payable and accrued liabilities	2,204	(26,284)
Designated funds payable	<u>63,873</u>	<u>63,717</u>
	<u>80,936</u>	<u>107,886</u>
	<u>957,982</u>	<u>845,139</u>
Financing		
Repayment of promissory notes payable	(80,418)	(213,587)
Repayment of bank loan (Note 12)	(206,876)	(370,556)
Repayment of long-term debt (Note 13)	<u>(179,076)</u>	<u>(154,888)</u>
	<u>(466,370)</u>	<u>(739,031)</u>
Investing		
Proceeds from loans receivable	11,573	7,883
Purchase of investments held by Lakeshore Foundation (Note 8)	(13,500)	(8,500)
Purchase of property and equipment	<u>(130,058)</u>	<u>(194,179)</u>
	<u>(131,985)</u>	<u>(194,796)</u>
Net change in cash during the year	359,627	(88,688)
Cash, beginning of year	<u>790,958</u>	<u>879,646</u>
Cash, end of year	<u>\$ 1,150,585</u>	<u>\$ 790,958</u>
Cash consists of:		
Cash	\$ 393,915	\$ 141,511
Restricted cash	<u>756,670</u>	<u>649,447</u>
	<u>\$ 1,150,585</u>	<u>\$ 790,958</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, 2014

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 2015) has improved since last year, as at year-end, the District's current liabilities exceed its current assets.

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

3. Summary of significant accounting policies

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

Basis of consolidation

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

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

The camps are registered charities under the Income Tax Act (Canada) and are exempt from income taxes. The camps have specific purposes consistent with the purposes of, and with ultimate accountability to, the District. The camps are controlled by the District due to common 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 collectibility of accounts and loans receivable and the useful life of property and equipment. Actual results could differ from these estimates.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2014

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 in Cobourg, Ontario, and its Lakeshore Foundation Fund (Note 7).

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.

Inventory

Inventory, primarily consisting of finished goods, 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 Consolidated Financial Statements

December 31, 2014

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 and signs	10% - 20%
Drainage	10%
Vehicles	30%

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.

4. Unrestricted cash

A portion of the unrestricted cash is intended, along with proceeds from the sale of the Courtice land (Note 7), to be used to make a special payment to reduce the District's debt.

5. Restricted cash

Restricted cash is set aside for the designated funds payable, the current portion of the bank loan, and internally restricted funds.

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, 2014

7. Land held for sale

The District entered an agreement with the Courtice Family Worship Centre (the "Church") to sell the land upon which the Church is situated at a sale price of \$337,500. The sale was completed on March 6, 2015.

8. Investments held by Lakeshore Foundation Fund

During the year, Lakeshore Pentecostal Camp received endowment contributions of \$13,500 (2013 - \$8,500) 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 to be used to subsidize camp registration fees for children and youth.

9. Property and equipment

	<u>2014</u>			<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
General District				
Land held	\$ 62,495	\$ -	\$ 62,495	\$ 190,734
Buildings	177,991	81,335	96,656	87,831
Computers	103,919	86,775	17,144	18,802
Equipment	<u>226,712</u>	<u>215,203</u>	<u>11,509</u>	<u>14,386</u>
	<u>571,117</u>	<u>383,313</u>	<u>187,804</u>	<u>311,753</u>
Heritage Holdings				
Land	696,000	-	696,000	696,000
Buildings	810,242	402,006	408,236	425,348
Site improvements	<u>663,982</u>	<u>338,544</u>	<u>325,438</u>	<u>310,242</u>
	<u>2,170,224</u>	<u>740,550</u>	<u>1,429,674</u>	<u>1,431,590</u>
Lakeshore Pentecostal Camp				
Land	2,080,000	-	2,080,000	2,080,000
Buildings	3,555,161	1,478,916	2,076,245	2,097,913
Equipment	695,886	569,770	126,116	141,918
Site improvements and signs	381,879	318,361	63,518	70,800
Drainage	163,297	123,234	40,063	44,514
Vehicles	<u>160,860</u>	<u>158,978</u>	<u>1,882</u>	<u>2,689</u>
	<u>7,037,083</u>	<u>2,649,259</u>	<u>4,387,824</u>	<u>4,437,834</u>

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2014

9. Property and equipment (continued)

Ottawa Valley Pentecostal Camp				
Land	560,000	-	560,000	560,000
Buildings	800,089	617,267	182,822	190,439
Site improvements	256,738	220,153	36,585	45,732
Equipment	213,839	180,282	33,557	41,945
Vehicles	71,574	59,572	12,002	7,432
Computers	2,194	1,108	1,086	1,357
	<u>1,904,434</u>	<u>1,078,382</u>	<u>826,052</u>	<u>846,905</u>
	<u>\$ 11,682,858</u>	<u>\$ 4,851,504</u>	<u>\$ 6,831,354</u>	<u>\$ 7,028,082</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.

10. Designated funds payable

	January 1, 2014	Increases	Decreases	December 31, 2014
General District				
Women's Network				
L.I.F.E. Funds	\$ 114,806	\$ 23,934	\$ 23,934	\$ 114,806
Cardinal Support	-	12,000	-	12,000
Special Pension Payments				
Emergency Fund	7,616	-	992	6,624
Camp Iqaluit	2,032	3,602	2,199	3,435
Single Mom's Camp	5,798	5,111	8,435	2,474
	<u>130,252</u>	<u>44,647</u>	<u>35,560</u>	<u>139,339</u>
Lakeshore Pentecostal Camp				
Environmental upgrade fund	313,526	87,956	37,308	364,174
Capital funds	15,895	8,502	7,333	17,064
Camp Echo	1,590	3,778	1,680	3,688
Camp sponsorships	1,036	8,166	5,612	3,590
Tabernacle renovations	2,504	-	-	2,504
Memorial fund	5,532	375	4,845	1,062
Missions	-	30,590	30,590	-
Debt reduction	-	27,965	27,965	-
Women's Network	-	3,947	3,947	-
	<u>340,083</u>	<u>171,279</u>	<u>119,280</u>	<u>392,082</u>
Ottawa Valley Pentecostal Camp				
Memorial fund	3,780	5,325	3,121	5,984
Camp sponsorships	308	1,441	1,197	552
Capital funds	-	339	-	339
Missions	-	11,618	11,618	-
	<u>4,088</u>	<u>18,723</u>	<u>15,936</u>	<u>6,875</u>
	<u>\$ 474,423</u>	<u>\$ 234,649</u>	<u>\$ 170,779</u>	<u>\$ 538,296</u>

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2014

11. Promissory notes payable

	<u>2014</u>	<u>2013</u>
Promissory notes from churches and related organizations, unsecured, bearing interest rates to a maximum of 3.25%, redeemable on demand	\$ 1,116,637	\$ 1,107,221
Promissory notes from individuals, unsecured, bearing interest rates to a maximum of 3.0%, redeemable on demand	<u>105,153</u>	<u>194,987</u>
	<u>\$ 1,221,790</u>	<u>\$ 1,302,208</u>

Interest expensed for the year amounted to \$35,912 (2013 - \$41,300).

12. Bank loan

	<u>2014</u>	<u>2013</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 3.48%, due December 22, 2015	\$ 527,585	\$ 734,461
Less: current portion	115,438	106,788
Less: renewable current portion	<u>412,147</u>	<u>627,673</u>
	<u>\$ -</u>	<u>\$ -</u>

During the year, the District made principal payments of \$206,876 (2013 - \$370,556) towards its bank loan. Interest expensed for the year amounted to \$25,288 (2013 - \$61,577).

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%. No such indebtedness was incurred during the year.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2014

13. Long-term debt

	2014	2013
Heritage Holdings		
Mortgage payable, secured by property, bearing interest at 4.70%, repayable in annual principal payments of \$90,000, interest payable semi-annually, on June 1 and December 1, due December 2015	\$ 995,000	\$ 1,085,000
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	545,949	609,522
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, due February 2016 but renewable for four further terms of three years	<u>298,360</u>	<u>323,863</u>
	1,839,309	2,018,385
Less: current portion	<u>182,751</u>	<u>158,176</u>
	<u>\$ 1,656,558</u>	<u>\$ 1,860,209</u>

During the year, \$179,076 (2013 - \$154,888) in long-term debt payments were made. Interest expensed on long-term debt during the year amounted to \$92,899 (2013 - \$100,090).

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:

2015	\$ 182,751
2016	187,258
2017	191,980
2018	226,931
2019	232,122
Thereafter	<u>818,267</u>
	<u>\$ 1,839,309</u>

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2014

14. Intercompany loans and transactions

	2014	2013
Heritage Holdings	\$ 2,251,962	\$ 2,135,567
Lakeshore Pentecostal Camp	1,233,749	1,281,251
Ottawa Valley Pentecostal Camp	246,148	254,309
Due to General District	\$ 3,731,859	\$ 3,671,127

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 \$55,457 (2013 - \$88,744) and is reflected in the net subsidies in the statement of activities (Note 15).

The District paid approximately \$17,833 (2013 - \$17,833) to the Ottawa Valley Pentecostal Camp for retreats held by the District at the Camp.

Lakeshore Pentecostal Camp charged Heritage Holdings \$7,500 (2013 - \$7,500) for grounds maintenance.

15. 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 14)	55,457	-	(46,325)	(9,132)	-
Rent	(80,400)	80,400	-	-	-
	\$ (178,934)	\$ 80,400	\$ 36,417	\$ 62,117	\$ -

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 14).

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

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

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16. Commitments

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

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

17. Contingent liabilities

Guarantees

The District has guaranteed an annuity loan held by the PAOC in the amount of \$9,450 (2013 - \$9,450). The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$1,864,560 (2013 - \$1,990,801) and the mortgages payable by Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp (Note 13). 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, 2014 is \$400,000 (2013 - \$537,500). 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 \$732,000, with the term expiring on July 31, 2015.

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.

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 2013 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 2014 (2013 - \$26,763). Monthly special payments are expected to continue until the District's portion of the Plan is adequately funded.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2014

18. 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 (2013 - \$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 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 (2013 - \$Nil).

19. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2014 financial statements.
