



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal
Assemblies of Canada

December 31, 2019

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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

Opinion

We have audited the consolidated financial statements of Eastern Ontario District of the Pentecostal Assemblies of Canada (the "District"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of activities, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2019, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with ASNPO, 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.

In preparing the consolidated financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Markham, Canada
April 1, 2020

Chartered Professional Accountants
Licensed Public Accountants

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

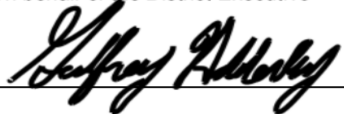
December 31, 2019

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	2019 Total	2018 Total
Assets						
Current						
Cash	\$ 639,650	\$ -	\$ 207,101	\$ 44,453	\$ 891,204	\$ 672,425
Cash for designated and internally restricted funds (Note 3)	1,975,953	-	657,523	90,879	2,724,355	2,370,202
Accounts receivable	55,016	-	80,184	24,881	160,081	139,234
Prepaid expenses and other assets	<u>58,677</u>	<u>-</u>	<u>30,391</u>	<u>5,196</u>	<u>94,264</u>	<u>94,660</u>
Investments held by Lakeshore Foundation Fund (Note 4)	2,729,296	-	975,199	165,409	3,869,904	3,276,521
Property and equipment (Note 5)	<u>121,187</u>	<u>500,000</u>	<u>4,301,672</u>	<u>955,418</u>	<u>5,878,277</u>	<u>5,883,509</u>
	<u>\$ 2,850,483</u>	<u>\$ 500,000</u>	<u>\$ 5,421,171</u>	<u>\$ 1,120,827</u>	<u>\$ 9,892,481</u>	<u>\$ 9,291,656</u>
Liabilities and net assets						
Current						
Accounts payable and accrued liabilities	\$ 250,878	\$ -	\$ 46,510	\$ 11,673	\$ 309,061	\$ 315,518
Designated funds payable (Note 6)	89,994	-	657,523	90,879	838,396	828,213
Deferred revenue	-	-	15,981	-	15,981	-
Deferred gain on sale of property (Note 5)	-	-	-	-	-	64,416
Promissory notes payable (Note 7)	<u>502,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,465</u>	<u>501,398</u>
	<u>843,337</u>	<u>-</u>	<u>720,014</u>	<u>102,552</u>	<u>1,665,903</u>	<u>1,709,545</u>
Net assets						
Invested in property and equipment	121,187	500,000	4,301,672	955,418	5,878,277	5,819,093
Accumulated unrestricted surplus	-	-	255,185	62,857	318,042	89,403
Internally restricted (Note 3)	1,885,959	-	-	-	1,885,959	1,541,989
Endowment fund (Note 4)	<u>-</u>	<u>-</u>	<u>144,300</u>	<u>-</u>	<u>144,300</u>	<u>131,626</u>
	<u>2,007,146</u>	<u>500,000</u>	<u>4,701,157</u>	<u>1,018,275</u>	<u>8,226,578</u>	<u>7,582,111</u>
	<u>\$ 2,850,483</u>	<u>\$ 500,000</u>	<u>\$ 5,421,171</u>	<u>\$ 1,120,827</u>	<u>\$ 9,892,481</u>	<u>\$ 9,291,656</u>

Contingent liabilities (Note 9)

Commitments (Note 11)

On behalf of the District Executive



Director

Director



Director

Director

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	2019 Total	2018 Total
Revenue						
Tithe						
Churches	\$ 2,501,829	\$ -	\$ -	\$ -	\$ 2,501,829	\$ 2,480,451
Credential holders	449,021	-	-	-	449,021	443,598
Sales and rentals	-	-	868,399	298,865	1,167,264	1,163,916
Donations and offerings	74,794	-	358,150	219,200	652,144	651,985
Registration fees	3,625	-	131,555	93,974	229,154	235,959
Ministries registration and offerings	225,594	-	-	-	225,594	256,103
District conference	58,625	-	-	-	58,625	-
Interest and other	52,510	-	2,015	100	54,625	32,860
	<u>3,365,998</u>	<u>-</u>	<u>1,360,119</u>	<u>612,139</u>	<u>5,338,256</u>	<u>5,264,872</u>
Expenditures						
Salaries and benefits (Note 8)	1,137,622	-	396,626	172,476	1,706,724	1,612,347
Building and property	24,214	-	377,232	156,814	558,260	538,897
Camp operations	-	-	351,143	179,835	530,978	507,886
Administration and office	301,668	-	65,649	21,266	388,583	362,507
Subsidies and donations	295,237	-	-	-	295,237	281,042
Bible colleges operations	269,649	-	-	-	269,649	295,169
National Office tithes	251,668	-	-	-	251,668	249,800
Church ministries	242,654	-	-	-	242,654	267,894
District conference	126,012	-	-	-	126,012	-
Pastoral and church care	104,852	-	-	-	104,852	89,664
Missions	-	-	27,181	45,310	72,491	39,140
Interest and bank charges	24,334	-	19,010	11,045	54,389	47,868
	<u>2,777,910</u>	<u>-</u>	<u>1,236,841</u>	<u>586,746</u>	<u>4,601,497</u>	<u>4,292,214</u>
Excess of revenue over expenditures from operations	<u>588,088</u>	<u>-</u>	<u>123,278</u>	<u>25,393</u>	<u>736,759</u>	<u>972,658</u>
Amortization of property and equipment	(10,308)	-	(130,751)	(28,323)	(169,382)	(165,023)
Gain on sale of property (Note 5)	-	64,416	-	-	64,416	137,614
Subsidies	(153,990)	-	82,742	71,248	-	-
	<u>(164,298)</u>	<u>64,416</u>	<u>(48,009)</u>	<u>42,925</u>	<u>(104,966)</u>	<u>(27,409)</u>
Excess of revenue over expenditures	<u>\$ 423,790</u>	<u>\$ 64,416</u>	<u>\$ 75,269</u>	<u>\$ 68,318</u>	<u>\$ 631,793</u>	<u>\$ 945,249</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	2019 Total	2018 Total
Consolidated net assets, beginning of year	\$ 5,819,093	\$ 89,403	\$ 1,541,989	\$ 131,626	\$ 7,582,111	\$ 6,629,536
Excess (deficiency) of revenue over expenditures	(104,966)	736,759	-	-	631,793	945,249
Endowment contributions (Note 4)	-	-	-	12,674	12,674	7,326
Transfer from internally restricted net assets (Note 3)	-	(343,970)	343,970	-	-	-
Loss on disposal of property	(10,639)	10,639	-	-	-	-
Purchases of property and equipment	174,789	(174,789)	-	-	-	-
Consolidated net assets, end of year	<u>\$ 5,878,277</u>	<u>\$ 318,042</u>	<u>\$ 1,885,959</u>	<u>\$ 144,300</u>	<u>\$ 8,226,578</u>	<u>\$ 7,582,111</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

2019

2018

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 631,793	\$ 945,249
Items not involving cash		
Amortization of property and equipment	169,382	165,023
Gain on sale of property	(64,416)	(137,614)
Loss on disposal of property	10,639	-
Designated funds payable recognized (Note 6)	<u>(349,941)</u>	<u>(351,682)</u>
	<u>397,457</u>	<u>620,976</u>

Net change in non-cash working capital balances

Accounts receivable	(20,847)	18,687
Prepaid expenses and other assets	396	24,007
Accounts payable and accrued liabilities	(6,457)	(70,376)
Deferred revenue	<u>15,981</u>	<u>-</u>
	<u>(10,927)</u>	<u>(27,682)</u>

Designated funds received (Note 6)

	<u>360,124</u>	<u>380,810</u>
	<u>746,654</u>	<u>974,104</u>

Financing

Advance (repayment) of promissory notes payable	<u>1,067</u>	<u>(8,956)</u>
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Investing

Proceeds from loan receivable	-	89,183
Purchase of investments held by Lakeshore Foundation Fund (Note 4)	(12,674)	(7,326)
Purchases of property and equipment	(174,789)	60,314
Proceeds from sale of property	-	(257,982)
Endowment contribution	<u>12,674</u>	<u>7,326</u>
	<u>(174,789)</u>	<u>(108,485)</u>

Net change in cash during the year

	572,932	856,663
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Cash, beginning of year

	<u>3,042,627</u>	<u>2,185,964</u>
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Cash, end of year

	<u>\$ 3,615,559</u>	<u>\$ 3,042,627</u>
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Cash consists of:

Cash	\$ 891,204	\$ 672,425
Cash for designated and internally restricted funds	<u>2,724,355</u>	<u>2,370,202</u>
	<u>\$ 3,615,559</u>	<u>\$ 3,042,627</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, 2019

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

Management reviews the carrying amounts of items in the consolidated financial statements at each consolidated statement of financial position date to assess the need for revision. Certain items in the preparation of these consolidated financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess of revenue over expenditures as appropriate in the year they become known.

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 for Church Health and Multiplication funding.

Heritage Holdings

The Heritage Holdings fund consists of the Heritage Holdings property and includes the revenue relating to the gain on sale of property.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2019

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.

Included in Lakeshore Pentecostal Camp is an endowment held in the Lakeshore Foundation Fund (Note 4).

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, tithes and offerings. Restricted donations, tithes 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. Unrestricted donations, tithes 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 conferences and conventions revenue are recognized as the services are provided. Interest and other revenue are recognized when earned.

Endowment contributions are recognized as direct increases in the Endowment Fund when received.

Contributed services

Contributed services are not recognized in the consolidated financial statements due to the difficulty of determining their value.

Property and equipment

Purchased property and equipment are recorded at cost. 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 - 8%
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, 2019

2. Summary of significant accounting policies (continued)

Financial instruments

The District considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The District's financial instruments are comprised of cash, cash for designated and internally restricted funds, accounts receivable, loan receivable, investments held by Lakeshore Foundation Fund, accounts payable and promissory notes payable.

The District initially measures its financial assets and financial liabilities at fair value. The District subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments held by Lakeshore Foundation Fund, which are measured at fair value.

3. Cash for designated and internally restricted funds

The cash for designated and internally restricted funds balance is set aside for the following commitments:

	<u>2019</u>	<u>2018</u>
Designated funds payable (Note 6)	<u>\$ 838,396</u>	<u>\$ 828,213</u>
Internally restricted net assets		
Environmental advance funding for the camps	<u>1,701,623</u>	1,366,991
Church Health and Multiplication	<u>184,336</u>	<u>174,998</u>
	<u>1,885,959</u>	<u>1,541,989</u>
	<u>\$ 2,724,355</u>	<u>\$ 2,370,202</u>

The funds are held in an interest bearing savings account.

4. Investments held by Lakeshore Foundation Fund

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.

During the year, Lakeshore Pentecostal Camp received endowment contributions of \$12,674 (2018 - \$7,326) towards the Lakeshore Foundation Fund. Endowment contributions are invested in certificate loans held by the Pentecostal Financial Services Group ("PFSG"), a wholly-owned subsidiary of the PAOC. These certificate loans earn interest at rates between 2.40% and 3.87% and mature in 2021. Interest of \$3,239 (2018 - \$3,412) earned on the fund is included in designated funds payable under camp sponsorships (Note 6) in accordance with the terms of the endowment.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2019

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net</u>	<u>2018 Net</u>
General District				
Land held for planting	\$ 20,837	\$ -	\$ 20,837	\$ 20,837
Buildings	182,393	(99,918)	82,475	85,911
Computers	128,126	(114,767)	13,359	19,085
Equipment	228,464	(223,948)	4,516	5,804
	<u>559,820</u>	<u>(438,633)</u>	<u>121,187</u>	<u>131,637</u>
Heritage Holdings				
Land	500,000	-	500,000	500,000
Lakeshore Pentecostal Camp				
Land	2,080,000	-	2,080,000	2,080,000
Buildings	3,972,770	(1,955,341)	2,017,429	2,077,576
Equipment	805,008	(684,113)	120,895	123,304
Site improvements and signs	407,671	(350,630)	57,041	50,295
Drainage	163,297	(139,640)	23,657	26,285
Vehicles	165,326	(162,676)	2,650	1,358
	<u>7,594,072</u>	<u>(3,292,400)</u>	<u>4,301,672</u>	<u>4,358,818</u>
Ottawa Valley Pentecostal Camp				
Land	560,000	-	560,000	560,000
Buildings	992,224	(666,078)	326,146	286,252
Computers	3,420	(1,960)	1,460	445
Equipment	252,747	(209,098)	43,649	18,250
Site improvements	263,680	(246,170)	17,510	18,603
Vehicles	65,447	(58,794)	6,653	9,504
	<u>2,137,518</u>	<u>(1,182,100)</u>	<u>955,418</u>	<u>893,054</u>
	<u>\$ 10,791,410</u>	<u>\$ (4,913,133)</u>	<u>\$ 5,878,277</u>	<u>\$ 5,883,509</u>

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

During 2018, the District assumed the assets of a local church that ceased operations in 2018. Upon sale of that church in 2018, the District received net cash proceeds totaling \$60,314 which was recognized as a gain on sale of property in the statement of operations. No similar transaction occurred in 2019.

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. The gain on sale is recognized as revenue over the term of the lease. During the year, \$64,416 (2018 - \$77,300) was recognized as a gain on sale of property in the statement of operations. At year end, \$Nil (2018 - \$64,416) is deferred to be recognized over the remaining term of the lease.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2019

6. Designated funds payable

	January 1, <u>2019</u>	<u>Received</u>	<u>Recognized</u>	December 31, <u>2019</u>
General District				
Women's Network				
L.I.F.E. Funds	\$ 114,806	\$ 35,255	\$ 72,880	\$ 77,181
Ministers assistance program	15,313	-	2,500	12,813
District conference fees	16,325	-	16,325	-
MCS support	-	10,000	10,000	-
Missions	-	2,644	2,644	-
Hutchinson fund	-	750	750	-
	<u>146,444</u>	<u>48,649</u>	<u>105,099</u>	<u>89,994</u>
Lakeshore Pentecostal Camp				
Environmental upgrade fund	597,468	79,920	44,574	632,814
Camp registrations	19,189	10,542	19,189	10,542
Memorial fund	2,793	4,716	676	6,833
Camp sponsorships	5,203	3,239	2,325	6,117
Capital funds	8,620	-	7,426	1,194
Miscellaneous	-	74	51	23
Inflatables and trailers	-	36,834	36,834	-
Missions	-	27,181	27,181	-
Ministries	-	545	545	-
Gazebo picnic shelter	-	250	250	-
	<u>633,273</u>	<u>163,301</u>	<u>139,051</u>	<u>657,523</u>
Ottawa Valley Pentecostal Camp				
Environmental upgrade fund	47,343	18,750	2,780	63,313
Lodge basement renovation	-	15,000	-	15,000
Platform sound system	-	30,000	19,217	10,783
Camp sponsorships	1,053	700	170	1,583
Memorial fund	100	100	-	200
Missions	-	45,310	45,310	-
Stonework	-	30,558	30,558	-
Dryer project	-	7,256	7,256	-
Women's Network	-	500	500	-
	<u>48,496</u>	<u>148,174</u>	<u>105,791</u>	<u>90,879</u>
	<u>\$ 828,213</u>	<u>\$ 360,124</u>	<u>\$ 349,941</u>	<u>\$ 838,396</u>

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2019

7. Promissory notes payable

	<u>2019</u>	<u>2018</u>
Promissory notes payable to churches and related organizations, unsecured, bearing interest rates to a maximum of 3.05%, redeemable on demand	<u>\$ 502,465</u>	<u>\$ 501,398</u>

Interest expense for the year amounted to \$13,564 (2018 - \$13,680).

8. 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 Plan is a defined benefit pension plan which specifies the amount of the retirement benefit to be received by the employees based upon the length of services and rates of pay. The District accounts for its participation in this multi-employer pension plan as a defined contribution plan. Because the Plan is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of the member organizations and their employees. As a result, the District does not recognize any share of the Plan surplus or deficit.

The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$124,238,000 with respect to benefits accrued for service with actuarial assets at that date of \$127,535,000, indicating an actuarial surplus of \$3,297,000. In 2019, no additional contributions in the form of special payments have been required. Contributions made by the District on behalf of its employees during 2019 for current services were \$32,702 (2018 - \$28,876) and is included within salaries and benefits expense in the consolidated statement of activities.

9. Contingent liabilities

Guarantees

As at December 31, 2019, the District is the guarantor of loans and mortgages for various churches in the amount of \$258,797 (2018 - \$854,640). 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, 2019 is \$400,000 (2018 - \$400,000). These loans are unsecured.

During 2019, 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 \$753,199 (2018 - \$669,341), with the term expiring on July 31, 2024. The future minimum rent payments are subject to increases based on the annual increase in the Consumer Price Index for all items for Canada published by Statistics Canada (the "Rent Consumer Price Index").

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2019

9. Contingent liabilities (continued)

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 to be at least \$2,000,000 to be incurred in the future. The upgrades are expected to enhance the value of the Lakeshore Pentecostal Camp property.

The work on the Ottawa Valley Pentecostal Camp's sewage system is being completed in accordance with the Ontario Ministry of the Environment's requirements. The project will be completed in the future and the expected cost of the project to bring the septic system to satisfactory condition is not determinable.

Legal contingency

The District has been named in a legal claim dating back to 1979-1982. Management intends to vigorously defend itself against the claim.

10. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

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

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with the District. The District's main credit risks relate to its accounts receivable.

The District reduces its exposure to credit risk by performing ongoing evaluations and limiting the amount of credit extended when considered necessary. At December 31, 2019, the allowance for doubtful accounts is \$Nil (2018 - \$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 cash held in interest bearing savings accounts, investments held by Lakeshore Foundation fund and promissory notes payable.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2019

10. Financial instruments (continued)

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 mainly in respect to accounts payable and promissory notes payable.

The District manages its liquidity risk by forecasting cash flows from operations, investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations.

11. Commitments

The District is committed under a lease for its district office to October 31, 2022. Future minimum lease payments are as follows:

2020	\$	69,550
2021		71,050
2022		60,250

12. Subsequent event

Since January 1, 2020, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The District has determined that this event is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the District for future periods.

13. Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.