



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal
Assemblies of Canada

December 31, 2018

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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, 2018, 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.

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, 2018, 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 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 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.



Markham, Canada
April 4, 2019

Chartered Professional Accountants
Licensed Public Accountants

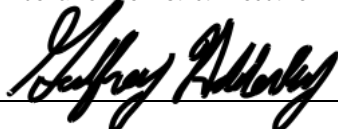
Eastern Ontario District of the Pentecostal Assemblies of Canada Consolidated Statement of Financial Position

December 31, 2018


	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	2018 Total	2017 Total
Assets						
Current						
Cash	\$ 672,425	\$ -	\$ -	\$ -	\$ 672,425	\$ 545,941
Restricted cash (Note 3)	1,688,433	-	633,273	48,496	2,370,202	1,640,023
Accounts receivable	42,326	-	74,099	22,809	139,234	157,921
Prepaid expenses and deposits	63,087	-	25,151	6,422	94,660	118,667
Loan receivable (Note 4)	-	-	-	-	-	89,183
	<u>2,466,271</u>	<u>-</u>	<u>732,523</u>	<u>77,727</u>	<u>3,276,521</u>	<u>2,551,735</u>
Investments held by Lakeshore Foundation Fund (Note 5)	-	-	131,626	-	131,626	124,300
Property and equipment (Note 6)	<u>131,637</u>	<u>500,000</u>	<u>4,358,818</u>	<u>893,054</u>	<u>5,883,509</u>	<u>5,790,550</u>
	<u>\$ 2,597,908</u>	<u>\$ 500,000</u>	<u>\$ 5,222,967</u>	<u>\$ 970,781</u>	<u>\$ 9,291,656</u>	<u>\$ 8,466,585</u>
Liabilities and net assets						
Current						
Accounts payable and accrued liabilities	\$ 276,440	\$ -	\$ 29,167	\$ 9,911	\$ 315,518	\$ 385,894
Designated funds payable (Note 7)	146,444	-	633,273	48,496	828,213	799,085
Deferred gain on sale of property (Note 6)	-	64,416	-	-	64,416	141,716
Promissory notes payable (Note 8)	<u>501,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,398</u>	<u>510,354</u>
	<u>924,282</u>	<u>64,416</u>	<u>662,440</u>	<u>58,407</u>	<u>1,709,545</u>	<u>1,837,049</u>
Net assets						
Invested in property and equipment	131,637	435,584	4,358,818	893,054	5,819,093	5,648,834
Unrestricted surplus	-	-	70,083	19,320	89,403	15,464
Internally restricted (Note 3)	1,541,989	-	-	-	1,541,989	840,938
Endowment fund (Note 5)	<u>-</u>	<u>-</u>	<u>131,626</u>	<u>-</u>	<u>131,626</u>	<u>124,300</u>
	<u>1,673,626</u>	<u>435,584</u>	<u>4,560,527</u>	<u>912,374</u>	<u>7,582,111</u>	<u>6,629,536</u>
	<u>\$ 2,597,908</u>	<u>\$ 500,000</u>	<u>\$ 5,222,967</u>	<u>\$ 970,781</u>	<u>\$ 9,291,656</u>	<u>\$ 8,466,585</u>

Contingent liabilities (Note 9)

On behalf of the District Executive



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	2018 Total	2017 Total
Revenue						
Tithes						
Churches	\$ 2,480,451	\$ -	\$ -	\$ -	\$ 2,480,451	\$ 2,459,066
Credential holders	443,598	-	-	-	443,598	475,448
Sales and rentals	-	-	876,769	287,147	1,163,916	1,153,791
Donations and offerings	66,368	-	408,048	177,569	651,985	504,680
Ministries registration and offerings	256,103	-	-	-	256,103	271,980
Registration fees	3,835	-	141,907	90,217	235,959	216,118
Interest and other	30,406	-	1,654	800	32,860	17,879
Conferences and conventions	-	-	-	-	-	58,095
Rent	-	-	-	-	-	14,758
	<u>3,280,761</u>	<u>-</u>	<u>1,428,378</u>	<u>555,733</u>	<u>5,264,872</u>	<u>5,171,815</u>
Expenditures						
Salaries and benefits	1,071,084	-	377,842	163,421	1,612,347	1,531,833
Building and property	29,929	-	361,945	147,023	538,897	557,241
Camp operations	-	-	344,050	163,836	507,886	499,052
Administration and office	277,491	-	64,666	20,350	362,507	303,498
Bible colleges operations	295,169	-	-	-	295,169	266,036
Subsidies and donations	281,042	-	-	-	281,042	253,293
National Office tithes	249,800	-	-	-	249,800	247,423
Church ministries	227,114	-	-	-	227,114	244,210
Pastoral and church care	89,664	-	-	-	89,664	92,313
Interest and bank charges	22,299	-	17,831	7,738	47,868	53,486
Conferences and conventions	40,780	-	-	-	40,780	131,870
Missions	800	-	23,179	15,161	39,140	55,500
Interest on long-term debt	-	-	-	-	-	34,284
	<u>2,585,172</u>	<u>-</u>	<u>1,189,513</u>	<u>517,529</u>	<u>4,292,214</u>	<u>4,270,039</u>
Excess of revenue over expenditures from operations	<u>695,589</u>	<u>-</u>	<u>238,865</u>	<u>38,204</u>	<u>972,658</u>	<u>901,776</u>
Amortization of property and equipment	(11,782)	-	(133,742)	(19,499)	(165,023)	(186,050)
Gain on sale of property (Note 6)	60,314	77,300	-	-	137,614	143,573
Subsidies	(153,990)	-	82,741	71,249	-	-
	<u>(105,458)</u>	<u>77,300</u>	<u>(51,001)</u>	<u>51,750</u>	<u>(27,409)</u>	<u>(42,477)</u>
Excess of revenue over expenditures	<u>\$ 590,131</u>	<u>\$ 77,300</u>	<u>\$ 187,864</u>	<u>\$ 89,954</u>	<u>\$ 945,249</u>	<u>\$ 859,299</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	2018 Total	2017 Total
Consolidated net assets, beginning of year	\$ 5,648,834	\$ 15,464	\$ 840,938	\$ 124,300	\$ 6,629,536	\$ 5,749,437
Excess (deficiency) of revenue over expenditures	(27,409)	953,449	19,209	-	945,249	859,299
Endowment contribution (Note 5)	-	-	-	7,326	7,326	20,800
Transfer to internally restricted net assets (Note 3)	-	(681,842)	681,842	-	-	-
Proceeds on sale of property	(60,314)	60,314	-	-	-	-
Purchases of property and equipment	<u>257,982</u>	<u>(257,982)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consolidated net assets, end of year	<u>\$ 5,819,093</u>	<u>\$ 89,403</u>	<u>\$ 1,541,989</u>	<u>\$ 131,626</u>	<u>\$ 7,582,111</u>	<u>\$ 6,629,536</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

2018

2017

Increase (decrease) in cash

Operating		
Excess of revenue over expenditures	\$ 945,249	\$ 859,299
Items not involving cash		
Amortization of property and equipment	165,023	186,050
Gain on sale of property	(137,614)	(143,573)
Designated funds payable recognized (Note 7)	<u>(351,682)</u>	<u>(243,946)</u>
	<u>620,976</u>	<u>657,830</u>
Net change in non-cash working capital balances		
Accounts receivable	18,687	(30,531)
Prepaid expenses and deposits	24,007	(35,707)
Accounts payable and accrued liabilities	<u>(70,376)</u>	<u>77,384</u>
	<u>(27,682)</u>	<u>11,146</u>
Designated funds received (Note 7)	<u>380,810</u>	<u>347,716</u>
	<u>974,104</u>	<u>1,016,692</u>
Financing		
Repayment of promissory notes payable	(8,956)	(248,956)
Repayment of bank loans	-	(151,645)
Repayment of long-term debt	<u>-</u>	<u>(891,464)</u>
	<u>(8,956)</u>	<u>(1,292,065)</u>
Investing		
Proceeds from loan receivable	89,183	3,900
Purchase of investments held by Lakeshore Foundation		
Fund (Note 5)	(7,326)	(20,800)
Proceeds from sale of property (Note 6)	60,314	1,193,319
Purchases of property and equipment	(257,982)	(189,424)
Endowment contribution	<u>7,326</u>	<u>20,800</u>
	<u>(108,485)</u>	<u>1,007,795</u>
Net change in cash during the year	856,663	732,422
Cash, beginning of year	<u>2,185,964</u>	<u>1,453,542</u>
Cash, end of year	<u>\$ 3,042,627</u>	<u>\$ 2,185,964</u>
Cash consists of:		
Cash	\$ 672,425	\$ 545,941
Restricted cash	<u>2,370,202</u>	<u>1,640,023</u>
	<u>\$ 3,042,627</u>	<u>\$ 2,185,964</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, 2018

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 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 the Church Health and Multiplication.

Heritage Holdings

The Heritage Holdings fund consists of the Heritage Holdings property and deferred gain on sale of 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, 2018

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 5).

Ottawa Valley Pentecostal Camp

The Ottawa Valley Pentecostal Camp fund reports the assets, liabilities, revenue and expenditures of the Ottawa Valley Pentecostal Camp located in Cobden, Ontario.

Revenue recognition

The District follows the deferral method of accounting for restricted donations and offerings. Restricted donations and offerings are recognized as revenue in the year in which the related expenditures are incurred. To the extent that revenue has not been recognized, it has been reflected as designated funds payable. 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 is 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%
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, 2018

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, restricted cash, 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 is measured at fair value.

3. Restricted cash

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

	<u>2018</u>	<u>2017</u>
Designated funds payable (Note 7)	<u>\$ 828,213</u>	<u>\$ 799,085</u>
Internally restricted net assets		
Environmental advance funding for the camps	1,366,991	685,149
Church Health and Multiplication	<u>174,998</u>	<u>155,789</u>
	<u>1,541,989</u>	<u>840,938</u>
	<u>\$ 2,370,202</u>	<u>\$ 1,640,023</u>

The funds are held in an interest bearing savings account.

4. Loan receivable

During the year, the loan receivable from a church was collected.

5. 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 \$7,326 (2017 - \$20,800) 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 2.87% and mature in 2021. Interest of \$3,412 (2017 - \$2,458) earned on the fund is included in designated funds payable under camp sponsorships (Note 7).

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

6. Property and equipment

	2018			2017
	Cost	Accumulated Amortization	Net	Net
General District				
Land held	\$ 20,837	\$ -	\$ 20,837	\$ 20,837
Buildings	182,393	(96,482)	85,911	89,490
Computers	128,126	(109,041)	19,085	19,158
Equipment	228,604	(222,800)	5,804	7,256
	<u>559,960</u>	<u>(428,323)</u>	<u>131,637</u>	<u>136,741</u>
Heritage Holdings				
Land	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Lakeshore Pentecostal Camp				
Land	2,080,000	-	2,080,000	2,080,000
Buildings	3,933,897	(1,856,321)	2,077,576	2,024,364
Equipment	785,432	(662,128)	123,304	129,538
Site improvements and signs	394,514	(344,219)	50,295	55,975
Drainage	163,297	(137,012)	26,285	29,206
Vehicles	163,326	(161,968)	1,358	1,938
	<u>7,520,466</u>	<u>(3,161,648)</u>	<u>4,358,818</u>	<u>4,321,021</u>
Ottawa Valley Pentecostal Camp				
Land	560,000	-	560,000	560,000
Buildings	937,961	(651,709)	286,252	222,287
Equipment	220,471	(202,221)	18,250	22,461
Site improvements	260,761	(242,158)	18,603	18,729
Vehicles	65,447	(55,943)	9,504	8,754
Computers	2,194	(1,749)	445	557
	<u>2,046,834</u>	<u>(1,153,780)</u>	<u>893,054</u>	<u>832,788</u>
	<u>\$ 10,627,260</u>	<u>\$ (4,743,751)</u>	<u>\$ 5,883,509</u>	<u>\$ 5,790,550</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 one local church (2017 – two) that ceased operations during the year. The District received net cash proceeds totaling \$60,314 (2017 – \$169,348) which is recognized as a gain on sale of property in the statement of operations.

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, \$77,300 (2017 - \$12,883) was recognized as a gain on sale of property in the statement of operations. At year end, \$64,416 (2017 - \$141,716) is deferred to be recognized over the remaining term of the lease.

The District has committed to a two year lease to October 2019 requiring a lease payment of \$55,000 in 2019.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

7. Designated funds payable

	January 1, 2018	Received	Recognized	December 31, 2018
General District				
Women's Network				
L.I.F.E. Funds	\$ 114,806	\$ 55,280	\$ 55,280	\$ 114,806
District Conference Fees	-	16,325	-	16,325
Ministers Assistance Program	19,313	-	4,000	15,313
Capital Equipment	305	-	305	-
MCS Support	-	46,000	46,000	-
Living Waters Fire Assistance	-	5,639	5,639	-
Men's Ministries	-	1,800	1,800	-
Missions	-	800	800	-
Hutchinson Fund	-	750	750	-
ERDO Designations	-	30	30	-
	<u>134,424</u>	<u>126,624</u>	<u>114,604</u>	<u>146,444</u>
Lakeshore Pentecostal Camp				
Environmental upgrade fund	530,137	84,901	17,570	597,468
Camp registrations	4,762	16,639	2,212	19,189
Capital funds	62,320	71,701	125,401	8,620
Camp sponsorships	3,800	3,412	2,009	5,203
Memorial fund	2,356	720	283	2,793
Missions	-	23,179	23,179	-
Administrative contributions	-	7,000	7,000	-
Women's Network	-	100	100	-
	<u>603,375</u>	<u>207,652</u>	<u>177,754</u>	<u>633,273</u>
Ottawa Valley Pentecostal Camp				
Environmental upgrade fund	40,162	18,882	11,701	47,343
Camp sponsorships	85	2,098	1,130	1,053
Memorial fund	11,032	400	11,332	100
Capital funds	10,000	10,000	20,000	-
Missions	7	15,154	15,161	-
	<u>61,286</u>	<u>46,534</u>	<u>59,324</u>	<u>48,496</u>
	<u>\$ 799,085</u>	<u>\$ 380,810</u>	<u>\$ 351,682</u>	<u>\$ 828,213</u>

8. Promissory notes payable

	<u>2018</u>	<u>2017</u>
Promissory notes payable to churches and related organizations, unsecured, bearing interest rates to a maximum of 3.05%, redeemable on demand	\$ 501,398	\$ 500,354
Promissory notes payable to individuals, unsecured, bearing interest rates to a maximum of 2.70%, redeemable on demand	-	10,000
	\$ 501,398	\$ 510,354

Interest expense for the year amounted to \$13,680 (2017 - \$19,482).

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

9. Contingent liabilities

Guarantees

As at December 31, 2018, the District is the guarantor of loans and mortgages for various churches in the amount of \$854,640 (2017 - \$898,861). 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, 2018 is \$400,000 (2017 - \$400,000). These loans are unsecured.

During 2018, 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 \$669,341 (2017 - \$660,247), with the term expiring on July 31, 2019.

Environmental assessments

Lakeshore Pentecostal Camp is cooperating with the Ontario Ministry of the Environment with respect to an environmental assessment relating to sewage treatment. Upgrades to septic systems will be required for camp facilities, private cottages, and recreational vehicles; however, an order requiring work to be done has not yet been issued. The cost of possible work to be done is estimated at \$2,000,000 to be incurred over the next 1 to 5 years. 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 over the next 1 – 2 years and 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 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.

The actuarial valuation report of the Plan prepared in 2016 disclosed that the contribution schedule previously established was inadequate to fund the promised benefit. However, in 2018, no additional contributions in the form of special payments have been required. As such, the District's annual share of the special payments for 2018 was \$Nil (2017 - \$12,883). Monthly special payments are not expected to continue.

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.

Eastern Ontario District of the Pentecostal Assemblies of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

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 and loan 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, 2018, the allowance for doubtful accounts is \$Nil (2017 - \$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 investments held by loan receivable, Lakeshore Foundation fund and promissory notes payable.

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. Comparative amounts

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