

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

THE PENTECOSTAL ASSEMBLIES OF CANADA
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YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of: The Pentecostal Assemblies of Canada

We have audited the accompanying financial statements of The Pentecostal Assemblies of Canada, which comprise the non-consolidated statement of financial position as at December 31, 2015 and the non-consolidated statements of changes in operating and fund balances, operating fund activities, trust fund and property fund activities and 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Pentecostal Assemblies of Canada as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario
March 16, 2016

Chartered Professional Accountants
Licensed Public Accountants

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	Operating Funds	Trust Funds (note 16)	Property Funds	2015 Total	2014 Total
ASSETS					
CURRENT					
Cash	\$ 1,374,918	\$ 0	\$ 0	\$ 1,374,918	\$ 1,513,464
Accounts receivable	129,767	225,367	0	355,134	358,498
Due (to) from other funds	(54,089)	54,089	0	0	0
Inventory and prepaids	66,651	0	0	66,651	74,481
Interfund investment (note 13)	5,674,333	(5,674,333)	0	0	0
Due from related parties (note 17)	38,234	0	0	38,234	240,304
Mission loans receivable (note 8)	<u>0</u>	<u>9,104,941</u>	<u>0</u>	<u>9,104,941</u>	<u>9,355,848</u>
	7,229,814	3,710,064	0	10,939,878	11,542,595
Loans and mortgages (note 10)	1,317,181	9,992,970	0	11,310,151	11,874,903
Property, land and equipment (note 11)	0	3,000,000	2,561,564	5,561,564	4,999,748
Loans and mortgages held to fund annuities (note 9)	0	1,159,634	0	1,159,634	1,353,084
Preferred shares held in PFSG (note 18)	0	1,129,350	0	1,129,351	812,101
Investment in PFSG (note 18)	<u>5,198</u>	<u>0</u>	<u>0</u>	<u>5,198</u>	<u>6,001</u>
	<u>\$ 8,552,193</u>	<u>\$ 18,992,018</u>	<u>\$ 2,561,564</u>	<u>\$ 30,105,776</u>	<u>\$ 30,588,432</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 481,255	\$ 103,856	\$ 0	\$ 585,111	\$ 399,187
Current portion of long term debt (note 12)	<u>0</u>	<u>306,684</u>	<u>0</u>	<u>306,684</u>	<u>436,263</u>
	481,255	410,540	0	891,795	835,450
Gift annuities and agreements (note 9)	0	1,143,092	0	1,143,092	1,225,285
Revocable gift agreements (note 14)	0	4,000	0	4,000	4,000
Global worker repatriation (note 15)	0	723,894	0	723,894	658,022
Loans payable (note 12)	<u>0</u>	<u>2,282,074</u>	<u>0</u>	<u>2,282,074</u>	<u>2,491,869</u>
	<u>481,255</u>	<u>4,563,600</u>	<u>0</u>	<u>5,044,855</u>	<u>5,214,626</u>
FUND BALANCES					
Operations	56,340	0	0	56,340	39,173
Internally restricted					
- shared funding	4,412,977	0	0	4,412,977	3,909,761
- other funds	261,517	0	0	261,517	820,437
Externally restricted					
- designated funds	3,340,105	0	0	3,340,105	3,921,430
- trust funds	0	11,428,418	0	11,428,418	14,683,257
Invested in property and equipment	<u>0</u>	<u>3,000,000</u>	<u>2,561,564</u>	<u>5,561,564</u>	<u>1,999,748</u>
	<u>8,070,939</u>	<u>14,428,418</u>	<u>2,561,564</u>	<u>25,060,921</u>	<u>25,373,806</u>
	<u>\$ 8,552,194</u>	<u>\$ 18,992,018</u>	<u>\$ 2,561,564</u>	<u>\$ 30,105,776</u>	<u>\$ 30,588,432</u>

See notes to the non-consolidated financial statements

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED STATEMENT OF CHANGES IN OPERATING AND FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Operations (note 2) <i>unrestricted</i>	Shared Funding (note 4) <i>internally restricted</i>	Designated Internal (note 4) <i>internally restricted</i>	Designated External (note 4) <i>externally restricted</i>	2015 Total (note 2)	2014 Total
FUND BALANCES, beginning of year	\$ 39,173	\$ 3,909,761	\$ 820,437	\$ 3,921,430	\$ 8,690,801	\$ 7,519,087
Interfund transfers (note 7)	30,080	(40,337)	(356,280)	(270,331)	(636,868)	517,612
Net (expenses over revenues) revenues over expenses for the year	<u>(12,913)</u>	<u>543,553</u>	<u>(202,640)</u>	<u>(310,994)</u>	<u>17,006</u>	<u>654,102</u>
FUND BALANCES, end of year	<u>\$ 56,340</u>	<u>\$ 4,412,977</u>	<u>\$ 261,517</u>	<u>\$ 3,340,105</u>	<u>\$ 8,070,939</u>	<u>\$ 8,690,801</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED STATEMENT OF OPERATING FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Operations (note 2)	Shared Funding (note 2)	Designated Funds (note 2)	2015 Total (note 2)	2014 Total
REVENUES (note 5)					
Donations - shared funding					
International Missions	\$ 0	\$ 11,029,390	\$ 0	\$ 11,029,390	\$ 9,982,782
Mission Canada	0	497,499	0	497,499	511,005
Donations (note 17)	1,791,715	0	4,152,459	5,944,174	6,752,767
Fellowship tithe	1,495,177	0	0	1,495,177	1,435,870
Sales and services (note 17)	1,415,536	0	183,109	1,598,645	1,928,545
Bequests	146,101	0	311,489	457,590	292,459
Investment revenues	404,332	0	49,759	454,091	438,900
Credential fees	446,930	0	0	446,930	425,110
	<u>5,699,791</u>	<u>11,526,889</u>	<u>4,696,816</u>	<u>21,923,496</u>	<u>21,767,438</u>
EXPENSES					
International Missions	2,061,721	10,399,213	4,318,483	16,779,417	16,131,634
Fellowship Services (note 6, 21)	2,480,486	0	678,048	3,158,534	3,176,962
Mission Canada	1,169,694	584,123	187,972	1,941,789	1,783,964
Distributions to other ministries	0	0	25,947	25,947	25,408
	<u>5,711,901</u>	<u>10,983,336</u>	<u>5,210,450</u>	<u>21,905,687</u>	<u>21,117,968</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	(12,110)	543,553	(513,634)	17,809	649,470
(Loss) gain on investment in PFSG (note 18)	<u>(803)</u>	<u>0</u>	<u>0</u>	<u>(803)</u>	<u>4,632</u>
NET REVENUES OVER EXPENSES for the year	(12,913)	543,553	(513,634)	17,006	654,102
Interfund transfers (note 7)	<u>30,080</u>	<u>(40,337)</u>	<u>(626,611)</u>	<u>(636,868)</u>	<u>517,612</u>
NET REVENUES OVER EXPENSES for the year after transfers	<u>\$ 17,167</u>	<u>\$ 503,216</u>	<u>\$ (1,140,245)</u>	<u>\$ (619,862)</u>	<u>\$ 1,171,714</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA

NON-CONSOLIDATED STATEMENT OF TRUST FUND AND PROPERTY FUND ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Trust Funds (note 16)		Property Fund	
	2015	2014	2015	2014
REVENUES				
Interest income	\$ 1,006,400	\$ 920,152	\$ 0	\$ 0
Recovery	165,249	77,714	0	0
Actuarial adjustment on annuities	112,193	333,756	0	0
	<u>1,283,842</u>	<u>1,331,622</u>	<u>0</u>	<u>0</u>
EXPENSES				
Amortization	0	0	84,052	99,806
Distributions to other ministries	1,036,490	642,561	0	0
Benefit payments	160,756	166,592	0	0
Interest expense	318,201	277,287	0	0
Plan administration fees	13,359	15,193	0	0
Write off annuity loans	875	59,381	0	0
	<u>1,529,681</u>	<u>1,161,014</u>	<u>84,052</u>	<u>99,806</u>
Net (decrease) increase in funds	(245,839)	170,608	(84,052)	(99,806)
Fund balances, beginning of year	14,683,257	15,082,839	1,999,748	2,046,976
Interfund transfers (note 7)	<u>(9,000)</u>	<u>(570,190)</u>	<u>645,868</u>	<u>52,578</u>
Fund balances, end of year	<u>\$ 14,428,418</u>	<u>\$ 14,683,257</u>	<u>\$ 2,561,564</u>	<u>\$ 1,999,748</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of (expenses over revenues) revenues over expenses for the year	\$ (312,885)	\$ 724,904
Items not requiring an outlay of cash		
Amortization	84,052	99,806
Investment in PFSG	<u>803</u>	<u>(4,632)</u>
	(228,030)	820,078
Changes in non-cash working capital		
Accounts receivable	3,364	333,137
Inventory and prepaids	7,830	38,534
Due from related parties	202,070	(285,593)
Accounts payable and accrued liabilities	<u>185,924</u>	<u>128,083</u>
	<u>171,158</u>	<u>1,034,239</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Gift annuities issued	(82,193)	(164,338)
Global worker repatriation	65,872	67,298
Repayment of loans payable	<u>(339,374)</u>	<u>(1,480,877)</u>
	<u>(355,695)</u>	<u>(1,577,917)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Mission loans receivable	250,907	(2,015,522)
Loans and mortgages held to fund annuities	193,450	158,301
Loans and mortgages	564,752	2,504,122
Purchase of property and equipment	(645,868)	(52,578)
Preferred shares in PFSG	<u>(317,250)</u>	<u>(812,100)</u>
	<u>45,991</u>	<u>(217,777)</u>
NET DECREASE IN CASH	(138,546)	(761,455)
NET CASH, BEGINNING OF YEAR	<u>1,513,464</u>	<u>2,274,919</u>
NET CASH, END OF YEAR	<u>\$ 1,374,918</u>	<u>\$ 1,513,464</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. NATURE OF ORGANIZATION

The Pentecostal Assemblies of Canada (the "PAOC") was established by letters patent issued by the federal government on May 17, 1919 and is a registered charity with the Canada Revenue Agency, and as such is exempt from income tax. Its purpose is to:

- (a) conduct public worship;
- (b) provide places of worship;
- (c) provide a basis of fellowship among Christians of like faith approving all scriptural teaching, method and conduct;
- (d) organize and conduct schools of religious instruction;
- (e) carry on charitable and philanthropic work of every kind;
- (f) carry on missional work for the spreading of the gospel;
- (g) publish, sell and distribute Christian literature;
- (h) collect, solicit and accept funds or other subscriptions for carrying on the work of the organization, and for any other religious or benevolent purposes;
- (i) exercise any of the powers usually conferred on duly incorporated benevolent societies by either federal or provincial authorities; and
- (j) to exercise the right to own, hold in trust, use, sell, convey, mortgage, lease or otherwise dispose of such property, real or personal, as may be needed for the execution of the work and to invest and keep invested such funds as may be placed at its disposition for the furtherance of the objectives of the PAOC, and to dispose of the entire undertaking of the organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Significant estimates requiring the use of management estimates and assumptions relate to useful life of property, land and equipment and the fair value of the annuity liability. Actual results could differ from these estimates.

Fund accounting

The organization's accounts follow the principles of restricted fund accounting, under which resources for particular purposes are classified, for accounting and reporting, into funds corresponding to those purposes.

THE PENTECOSTAL ASSEMBLIES OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Funds

Operating Funds include Operations, Shared Funding and Designated Funds. Operations consist of donations, other revenues, and related expenditures pertaining to the operations of the organization which are not included in other funds. Shared Funding includes donations designated for the approved budgets of Global and Mission Canada Workers. Designated Funds include donations designated for approved PAOC projects.

Trust Funds

Trust Funds are comprised of endowment funds and externally restricted funds. The income earned on these accounts represent either unrestricted, restricted or endowment amounts. Income and expenditures are recognized in accordance with specifications made by the donor subject to their initial approval by the PAOC at the time of donation.

Property Fund

The Property Fund consists of assets, liabilities, donations, amortization and gains and losses related to the property and equipment of the PAOC.

Revenue recognition

The organization follows the restricted fund method of accounting for contributions in which externally restricted contributions are recognized upon receipt in the appropriate fund corresponding to the purpose for which they were contributed. Unrestricted donations, bequests and district tithes are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Designated donations are recognized as revenue of the appropriate designated fund in the year received.

Contributions of encroachable capital are recognized as revenue of the Trust Funds in the year received.

Sales and service, credential fees and investment revenue are recorded as service performed.

Inventory

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

Property and equipment

Property and equipment are recorded at cost less amortization. Contributed property and equipment are recorded at fair value at the date of contribution unless fair value is not easily determinable. Amortization commences in the year subsequent to the year in which the asset is purchased or received and is calculated to depreciate the cost of the assets over their estimated useful lives on a straight-line basis as follows:

International office building	2.5%
Furniture, fixtures and office equipment	10%
Computer equipment	50%

THE PENTECOSTAL ASSEMBLIES OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of administration expenditures

The PAOC allocates the following expenditures to the three main divisions of the organization based on the following:

- Accounting – based on time spent by employees on each department
- Computers / information technology – based on number of users in each department
- Premises – based on square footage used by departments
- Human resources support and reception – based on number of staff in each department and the number of calls received for each department

The details of the allocation are disclosed in note 21.

Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The PAOC's financial instruments are comprised of cash, accounts receivable, mission loans receivable, loans and mortgages held to fund annuities, loans and mortgages, accounts payable and accrued liabilities, amounts due from related parties, gift annuities and agreements, revocable gift agreements, global worker repatriation in Trust Funds, and loans payable.

The mortgages held to fund annuities, loans and mortgages receivable and loans payable are measured at amortized cost using the effective interest method, with gains and losses recognized in the excess of revenue over expenditures when the asset or liability is repaid or written off. The effective interest method allocates the interest income or expense over the term of the investment or debt, using the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument, to the net carrying amount of the financial asset or financial liability.

Gift annuities and gift agreements, revocable gift agreements, and the global worker repatriation balance in the Trust Funds are measured at fair value, with gains and losses recognized immediately in the excess of revenue over expenditures.

The global worker repatriation balance in the Trust Funds is recorded at carrying value as there are no set terms of repayment.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenditures.

THE PENTECOSTAL ASSEMBLIES OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign operations, assets and measurement uncertainty

The PAOC has consistently followed the policy of expensing all costs for overseas operations, and property and equipment through International Missions expenditures, unless these amounts represent advances which are to be repaid to the PAOC. This policy is based upon the practice that such assets, while generally redeployable under the direction of the International Missions Committee, are not always accessible for redeployment due to foreign property titling regulations, and international fund transfer and foreign currency exchange limitations. While the PAOC may specifically assign title to national ministries overseas, it generally retains control of title while considering an orderly transfer of assets to stable national ministries overseas. Accordingly, these assets and operations are not included in the financial statements.

Contributed services

The value of contributed services is not reflected in these financial statements as the fair value of these services cannot be reasonably estimated.

Investment in Subsidiaries

Following CPA Canada Handbook Section 4450, reporting controlled and related entities by not-for-profit organizations, the long term investments in subsidiaries have been accounted for using the equity method of accounting as well as providing the appropriate disclosure.

3. RELATED PARTY TRANSACTIONS

The following are organizations related to the PAOC:

Pentecostal Financial Services Group Inc.

Pentecostal Financial Services Group Inc. ("PFSG") is a wholly-owned subsidiary of the PAOC and was incorporated on March 24, 2005 under the Canada Business Corporations Act. The PAOC and PFSG also share common premises and administration services. PFSG is subject to credit and liquidity risks arising from its mortgages receivable and loans payable.

Emergency Relief and Development Overseas

Effective December 1, 2005, the PAOC operation for Emergency Relief and Development Overseas ("ERDO") was incorporated by letters patent as a separate legal entity. ERDO was also registered as a charitable organization with the Canada Revenue Agency, and as such is exempt from income taxes under the Income Tax Act (Canada). ERDO is related to the PAOC through the membership level of the organizations. ERDO was established to provide short term relief in times of severe emergency and innovative assistance for communities experiencing extreme poverty. ERDO consists of four organizations including ERDO, SIPHO, ERDO Foundation and ERDO Services.

The Pension Fund (1969) of The Pentecostal Assemblies of Canada

The Pension Fund (1969) of The Pentecostal Assemblies of Canada (the "Pension Fund") is a multi-employer defined benefit pension plan, of which the PAOC is a member. Specified contributions made by eligible employees are matched by the employers.

THE PENTECOSTAL ASSEMBLIES OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

3. RELATED PARTY TRANSACTIONS (continued)

PAOC Mission Link

PAOC Mission Link was established as a Canadian charity to manage and direct the donations toward international mission activities from the German churches of the PAOC. This charity continues to support many of PAOC's current Global Workers, as well as on-going projects around the world and is related to the PAOC through the membership level of the organizations.

Villages of Hope: Africa Society

Villages of Hope: Africa Society is a Canadian charity which facilitates the establishment and administration of excellent care for children at risk, by partnering with various African based organizations. The organization has developed a set of standards for quality childcare, and holds each village accountable to those standards. The organization is related to the PAOC through the membership level of the organizations.

4. OBJECTIVES, POLICIES AND PROCESSES FOR MANAGING CAPITAL

The PAOC's capital is comprised of the net amounts invested in unrestricted funds, internally restricted funds – shared funding, externally restricted funds – designated funds, externally restricted funds – trust funds, and invested in property and equipment.

Unrestricted funds

The Board's objective is to maintain an unrestricted fund balance sufficient to meet both the annual operational budget requirements, and the annual maintenance of property and equipment. The Assistant Superintendent for Fellowship Services (Treasurer) and the Director of Finance and Accounting prepare the annual budget (which includes the property requirements). The Board then approves this budget and the Assistant Superintendent for Fellowship Services monitors the results against the forecast and notifies the Board when changes to plans are required.

Internally restricted funds – shared funding

The objective of the internally restricted funds, or shared funding fund, is to hold these Global and Mission Canada Worker balances from year to year in order to care for the ongoing personal and ministry requirements of them. Each family is required to prepare an annual budget, which is approved by their Regional Director. These budgets are monitored throughout the year by International Missions and Mission Canada, and are adjusted accordingly as required.

Externally restricted funds – designated funds

The externally restricted funds – designated are all the funds set aside by the Board to fulfil the donor wishes in providing for projects or ministries. Each project or ministry must be carrying out the charitable objectives of the PAOC. The Officers monitor these funds to ensure they are being distributed for their intended purposes. Where the funds are not required in the short term, the Treasurer invests their balances in accordance with Board policy, which allows that they be held in short term, low risk and highly liquid financial instruments.

THE PENTECOSTAL ASSEMBLIES OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

4. OBJECTIVES, POLICIES AND PROCESSES FOR MANAGING CAPITAL (continued)

Externally restricted funds – trust funds

The externally restricted funds – trusts are maintained in accordance with the terms of their contributors. The Board has established investment policies for these funds, and its main objective is to assure the maintenance of the contributed capital, in order to secure healthy investment revenues annually. The policy allows funds to be invested in money markets or church mortgages. The annual revenues from these investments are then distributed to various PAOC projects and programs, as per the original terms of their contributors.

Invested in property and equipment

The organization invests in property and equipment in order to facilitate the highly technical service needs of the organization and its constituents, and to maintain a building accommodating these services. The Officers of the PAOC are responsible for this investment, and direct all decisions made to improve or upgrade computer systems, as well as all building improvements. These costs are ultimately approved by the Board in the annual budget approval process, to ensure they are in keeping with the current strategies of the organization.

5. OPERATING FUND REVENUE

a) Operating Funds revenue classified by the department to which it is directed consists of:

	International Missions	2015 Mission Canada	Fellowship Services	Total	2014 Total
Donations	\$ 12,614,963	\$ 689,622	\$ 14,019	\$ 13,318,604	\$ 12,565,255
Designated donations	3,791,098	99,287	262,074	4,152,459	4,681,300
Bequests	<u>77,453</u>	<u>51,555</u>	<u>328,582</u>	<u>457,590</u>	<u>292,458</u>
	16,483,514	840,464	604,675	17,928,653	17,539,013
Fellowship tithe	0	404,613	1,090,564	1,495,177	1,435,870
Sales and services	120,048	560,389	918,208	1,598,645	1,928,545
Credential fees	0	0	446,930	446,930	425,110
Investments revenue	<u>276,819</u>	<u>30,251</u>	<u>147,021</u>	<u>454,091</u>	<u>438,900</u>
	<u>\$ 16,880,381</u>	<u>\$ 1,835,717</u>	<u>\$ 3,207,398</u>	<u>\$ 21,923,496</u>	<u>\$ 21,767,438</u>

b) Total donations consist of:

	2015	2014
Operations	\$ 1,791,715	\$ 2,071,467
Shared funding	11,526,889	10,493,787
Designated funds	4,152,459	4,681,300
Bequests	<u>457,590</u>	<u>292,459</u>
	<u>\$ 17,928,653</u>	<u>\$ 17,539,013</u>

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6. FELLOWSHIP SERVICES

Fellowship Services provides the administrative infrastructure to support the operations of the International Missions, Mission Canada, the International office, and administration of the shared, designated, trust and property funds.

During the year, Fellowship Services expenditures consisted of the following main categories:

	2015	2014
Administration	\$ 1,551,982	\$ 1,501,129
Communications/Publications	540,275	510,279
Stewardship	314,375	338,007
Committees	<u>73,854</u>	<u>66,979</u>
	<u>\$ 2,480,486</u>	<u>\$ 2,416,394</u>

7. INTERFUND TRANSFERS

The net transfer to (from) the Operating Funds resulted from the following transactions:

	2015	2014
Trust Funds		
PAOC Endowment	\$ 613,813	\$ (177,018)
John & Lydia Rebman Trust	0	550,000
Church Planting Trust	0	(8,368)
Gummer Trust	(613,813)	0
Annuity Fund	<u>9,000</u>	<u>205,576</u>
	9,000	570,190
Property Fund		
Purchase of P&E	<u>(645,868)</u>	<u>(52,578)</u>
	<u>\$ (636,868)</u>	<u>\$ 517,612</u>

8. MISSION LOANS RECEIVABLE

Mission loans receivable consist of the following:

	2015	2014
Interest bearing	\$ 9,014,941	\$ 9,265,848
Non-interest bearing	<u>90,000</u>	<u>90,000</u>
	<u>\$ 9,104,941</u>	<u>\$ 9,355,848</u>

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8. MISSION LOANS RECEIVABLE (continued)

The mission loans receivable are denominated in Canadian dollars, are due on demand, and include loans in or owing from:

	2015	2014
Catalyst 21 Enterprises Inc.	\$ 3,121,582	\$ 2,898,953
Watoto Church	1,239,973	1,368,658
King of Kings Ministries Inc.	738,291	741,773
PAOC Eurasia Field Office	537,161	537,161
Random Access Network	495,869	496,276
Mombasa Pentecostal Church	414,543	474,397
Alleluia Church	398,805	421,339
The Pentecostal Assemblies of Zambia	388,581	238,581
Burundi Field Office	296,519	308,223
The Pentecostal Bible College in Kenya	268,123	268,123
Africa Works	178,596	178,596
Novoilyinskaya Church	167,851	287,119
Church of Christians of Evangelical Faith Murman	161,842	203,075
Jubilee Christian Centre	144,646	144,646
House - Dominican Republic	126,616	132,888
Harare Central Church Loan, Zimbabwe	90,000	90,000
IPSA Developments Limited	74,176	0
PAOC El Salvador Field	72,017	0
Yangon Bakehouse	66,078	0
House - Turkey	60,496	66,648
Russian Assemblies of God	46,572	0
Thailand Field of the Pentecostal Assemblies	35,685	0
Cornerstone Assembly of God, South Africa	22,626	31,913
Tabernacle of David Assembly	20,692	28,604
The Russian Church of Christians of Evangelical	20,116	64,296
Pan Africa Christian University	12,952	179,397
Kitwe, Zambia	4,533	12,045
Dar es Salaam Pentecostal Church	0	83,137
Teen Challenge Life Centre & Hostel	0	200,000
Allowance for doubtful accounts	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 9,104,941</u>	<u>\$ 9,355,848</u>

9. GIFT ANNUITIES

Gift annuities are agreements whereby, in return for providing an initial payment to the PAOC, the annuitant is issued annual payments of agreed amounts, until written notice is received to terminate the annuity, or notice is received of the death of the annuitant. Upon termination, the net balance of the annuity is distributed under PAOC's discretion, within the terms of the annuitant's directions.

Mortgages of \$1,159,634 (2014 - \$1,353,084) are held to fund the gift annuities. The estimated obligation for gift annuity payments is \$1,143,092 (2014 - \$1,225,285).

New gift annuities issued during the year totaled \$30,000 (2014 - \$175,000). Gift annuities terminated during the year totaled \$0 (2014 - \$325,000).

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10. LOANS AND MORTGAGES

Loans and mortgages totaling \$2,261,250 (2014 - \$1,977,813) are contractually owing from member churches of the PAOC through trustees who act as agents for both the borrower and the investor. The trustees are current or former officers of the PAOC. There are loans also owing from PFSG in the amount of \$6,859,501 (2014 - \$9,897,090). The remaining amount relates to the alternative mortgage in the amount of \$2,189,400 (2014 - \$0) for total loans and mortgages owing of \$11,310,151 (2014 - \$11,874,903).

The loans and mortgages are due at various dates between March 31, 2016 and October 31, 2024 (2014 - March 15, 2015 and December 31, 2024) and earn interest at rates in the range of 4.3% and 5.5% (2014 - 4.3% and 5.5%). It is management's intention to reinvest the funds as they come due.

11. PROPERTY, LAND AND EQUIPMENT

a) Land, property and equipment consists of the following:

	Cost	Accumulated Amortization	Net 2015	Net 2014
Trust Fund				
Land	\$ <u>3,000,000</u>	\$ <u>0</u>	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>
Property Fund				
Land	392,851	0	392,851	392,851
Building	2,855,460	833,540	2,021,920	1,444,111
Furniture, fixtures, office and computer equipment	3,116,385	2,969,594	146,791	162,784
Other property (b)	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>
	<u>6,364,698</u>	<u>3,803,134</u>	<u>2,561,564</u>	<u>1,999,748</u>
	<u>\$ 9,364,698</u>	<u>\$ 3,803,134</u>	<u>\$ 5,561,564</u>	<u>\$ 4,999,748</u>

b) Other property

Other property consists of one donated mineral right and various overseas properties. As a result of the nature of these acquisitions and their indeterminable value, the PAOC has recorded these properties at a nominal amount of two dollars.

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12. LOANS PAYABLE

Loans payable consist of unsecured amounts advanced by private individuals or private organizations to assist in financing specific projects and include the following:

	2015	2014
Loan payable, bearing interest at 4%, due May 1, 2015	\$ 0	\$ 18,097
Loan payable, bearing interest at 5%, due August 13, 2015	0	19,671
Loan payable, bearing interest at 4%, due August 10, 2016	67,736	73,257
Loan payable, bearing interest at 3.5%, due December 31, 2021	479,530	550,405
Loan payable, bearing interest at 4%, due September 1, 2017	500,000	500,000
Loan payable, bearing interest at 4%, due October 1, 2018	287,669	384,559
Loan payable, bearing interest at 4%, due June 30, 2023	162,049	175,127
Loan payable, bearing interest at 4%, due June 30, 2023	40,430	43,692
Loan payable, non-interest bearing, due on demand	381,857	381,857
Loan payable, bearing interest at 3.5%, due May 1, 2024	444,807	500,000
Loan payable, bearing interest at 3.25%, due August 1, 2019	<u>224,680</u>	<u>281,467</u>
	2,588,758	2,928,132
Less current portion:		
Cash repayments required within 12 months	<u>306,684</u>	<u>436,263</u>
	<u>\$ 2,282,074</u>	<u>\$ 2,491,869</u>

Interest in the amount of \$318,201 (2014 - \$277,287) related to the above loans payable has been recorded in interest expense of the Trust Funds.

Future minimum payments on long term obligations are as follows:

2016	\$ 306,684
2017	818,113
2018	302,441
2019	201,291
2020	169,692
Thereafter	<u>790,537</u>
	<u>\$ 2,588,758</u>

13. INTERFUND INVESTMENT

An investment totaling \$5,674,333 (2014 - \$5,792,755), up to a maximum of \$10,000,000, was invested by the Operating Fund into the Mission Loan Fund. The investment is bearing interest of 4% per annum and is due December 31, 2019.

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14. REVOCABLE GIFT AGREEMENTS

Revocable gift agreements stipulate that the donor is entitled to withdraw a portion of the capital and accrued interest until their death, at which time the remaining principal and accrued interest is donated to the PAOC. The organization reflects the donation and accrued interest as a long term liability until the death of the donor, at which time the funds are recognized as revenue.

15. GLOBAL WORKER REPATRIATION

Global worker repatriation balance is a fund to which monthly contributions are made for 73 global workers (2014 - 82). These funds are invested in loans and mortgages (note 10). Each global worker's total investment in these funds is withdrawn to assist with their financial needs upon their return to Canada when they retire from service overseas.

16. TRUST FUNDS - CHANGES IN FUND BALANCES

	Jan. 1, 2015 Opening Balance	Increase	Decrease	Transfers In (Out)	Dec. 31, 2015 Ending Balance
PAOC Endowment	\$ 4,339,536	\$ 375,472	\$ 0	\$ 613,813	\$ 5,328,821
John & Lydia Rebman Trust	3,369,230	26,587	(429,570)	0	2,966,247
McKay Trust	2,330,539	113,471	(119,992)	0	2,324,018
Mission Loan Fund	1,178,702	336,199	(318,813)	0	1,196,088
The Healthcare Endowment	879,824	201,051	(366,970)	0	713,905
Gummer Trust	690,278	32,640	(109,105)	(613,813)	0
Santroc Trust	468,615	14,987	(15,720)	0	467,882
Church Planting Trust	340,343	16,529	0	0	356,872
Harrison Trust	324,742	379	(792)	0	324,329
Hutchinson Trust	279,996	640	(682)	0	279,954
Putrus Trust	102,818	(8,983)	(379)	0	93,456
Kirk Trust	101,596	4,934	(6,364)	0	100,166
Non-Quon Fund	100,086	(74)	0	0	100,012
Memorial Fund	73,034	(2,772)	(343)	0	69,919
Dean Trust	39,999	189	(195)	0	39,993
Buchanan Trust	28,430	1,382	0	0	29,812
Literature Fund	13,281	642	0	0	13,923
Annuity Fund	9,882	169,775	(160,756)	(9,000)	9,901
Revocable Trust	7,455	559	0	0	8,014
Audrey Shields Trust	4,871	235	0	0	5,106
	<u>\$ 14,683,257</u>	<u>\$ 1,283,842</u>	<u>\$ (1,529,681)</u>	<u>\$ (9,000)</u>	<u>\$ 14,428,418</u>

The availability of the above fund balances for operations of the PAOC is restricted in that a number of the funds only allow the interest earned on the principal donated to be used for the PAOC ministries. As of December 31, 2015, this restricted portion amounted to \$10,457,049 (2014 - \$11,248,496).

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17. DUE FROM (TO) RELATED PARTIES AND RELATED PARTY TRANSACTIONS

	2015	2014
Due from PFSG	\$ 9	\$ 146,173
Due from (to) ERDO	22,699	(878)
Due (to) the Pension Fund	(68,772)	(96,740)
Due (to) Villages of Hope Africa Society	(4,497)	(16,401)
Due (to) Asian Outreach Canada	(9,312)	(14,872)
Due from from Mission Link	<u>98,107</u>	<u>223,022</u>
	<u>\$ 38,234</u>	<u>\$ 240,304</u>

The above transactions are recorded at the exchange amount. The balances due from (to) related parties are unsecured, non-interest bearing and have no set terms of repayment.

Included in donations revenue are contributions of \$285,767 (2014 - \$308,782) received from PFSG.

Included in sales and services revenue is \$87,103 (2014 - \$84,640), \$150,671 (2014 - \$155,900), \$21,246 (2014 - \$17,576), \$110,586 (2014 - \$106,722) paid to the PAOC for management and administrative functions by PFSG, ERDO, VOHAS and the Pension Fund, respectively.

18. INVESTMENT IN PFSG

The operations of the Pension Fund have been presented and reported upon separately from the PAOC. The operations of PFSG have not been consolidated in the accounts of the PAOC.

PAOC is the sole shareholder and therefore controls PFSG. PFSG has not been consolidated in PAOC's financial statements. The investment has been accounted for using the equity method.

	2015	2014
(Loss) Gain on investment in PFSG		
Net income	\$ 51,115	\$ 66,210
Dividends	(77,877)	(90,693)
Refundable tax	<u>25,959</u>	<u>29,115</u>
	<u>\$ (803)</u>	<u>\$ 4,632</u>
Financial Position		
Assets	<u>\$ 58,553,666</u>	<u>\$ 59,063,397</u>
Liabilities	\$ 57,419,117	\$ 58,245,295
Share capital	1,129,351	812,101
Retained earnings	<u>5,198</u>	<u>6,001</u>
Total liabilities and retained earnings	<u>\$ 58,553,666</u>	<u>\$ 59,063,397</u>

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18. INVESTMENT IN PFSG (continued)

	2015	2014
Results of operations		
Revenue	\$ 2,795,480	\$ 2,656,934
Expenses	<u>2,699,424</u>	<u>2,540,325</u>
Net income	<u>\$ 96,056</u>	<u>\$ 116,609</u>
Cash provided by operations	\$ 213,778	\$ 42,421
Cash (used in) provided by financing and investing activities	<u>(423,951)</u>	<u>428,351</u>
	<u>\$ (210,173)</u>	<u>\$ 470,772</u>

19. COMMITMENTS

The PAOC is committed to 2016 under operating leases for office equipment. Future minimum annual payments required over the next year are as follows:

2016	\$45,080
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Each year an actuarial valuation is completed for the Pension Fund (1969) of the Pentecostal Assemblies of Canada. This is a multi-employer defined benefit pension plan, of which PAOC is a member. It was determined that the plan has a contribution shortfall that must be allocated between participating employers/organizations in an equitable manner until the shortfall is eliminated.

20. FINANCIAL INSTRUMENTS

It is management's opinion that the PAOC is not exposed to significant currency risks arising from its financial instruments.

PAOC is exposed to liquidity and credit risk with respect to its loans and mortgages as well as the loans payable.

The organization's investments in short term deposits, the mission loans receivable, mortgages held to fund annuities, and loans and mortgages are subject to market risks as the value of these investments will change with market fluctuations.

The extent of the organization's exposure to these risks did not change in 2015 compared to the previous period.

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21. ALLOCATION OF ADMINISTRATION EXPENDITURES

Certain of the administration expenses of Fellowship Services have been allocated among the International Missions, Fellowship Services and Mission Canada divisions as follows:

	International Missions	Mission Canada	Fellowship Services	2015 Total	2014 Total
Accounting	\$ 286,090	\$ 75,718	\$ 165,092	\$ 526,900	\$ 491,336
Computers/information technology	91,784	39,891	56,482	188,157	167,610
Premises	25,567	15,531	26,716	67,814	65,372
HR support and reception	28,378	18,664	26,326	73,368	80,154

During 2015, the allocation was based on the actual usage of each department.

22. GIFTS OF LIFE INSURANCE POLICIES AS CHARITABLE DONATIONS

The PAOC is the owner and partial beneficiary of life insurance policies gifted in accordance with provisions of the Income Tax Act (Canada).

	2015
Number of policies in good standing	23
Face value of policies	\$ 1,962,300
Cash surrender value	\$ 129,918

23. LINE OF CREDIT

The PAOC has access to \$3,000,000 in an unsecured line of credit, at an interest rate of prime. Although no balance was outstanding at year end, the PAOC draws on this line of credit from time to time.