

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**INDEX TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of: The Pentecostal Assemblies of Canada

### **Opinion**

We have audited the accompanying non-consolidated financial statements of The Pentecostal Assemblies of Canada, which comprise the non-consolidated statement of financial position as at December 31, 2023 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 notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of The Pentecostal Assemblies of Canada as at December 31, 2023 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.

### **Basis of 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 Pentecostal Assemblies of Canada in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-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 non-consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the non-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 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 organization'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 organization'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 non-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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-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.

Guelph, Ontario  
April 18, 2024



Chartered Professional Accountants  
Licensed Public Accountants

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

|  | Operating<br>Funds   | Trust<br>Funds<br>(note 17) | Property<br>Funds   | 2023<br>Total        | 2022<br>Total        |
|--|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                             |                     |                      |                      |
| <b>CURRENT</b>   |                      |                             |                     |                      |                      |
| Cash   | \$ 1,780,232         | \$ 0                        | \$ 0                | \$ 1,780,232         | \$ 753,740           |
| Accounts receivable                                      | 147,568              | 141,074                     | 0                   | 288,642              | 217,138              |
| Due from (to) other funds                                | 10,203,220           | (10,203,220)                | 0                   | 0                    | 0                    |
| Inventory and prepaids                                   | 177,363              | 0                           | 0                   | 177,363              | 50,405               |
| Interfund investment (note 7)                            | 5,289,685            | (5,289,685)                 | 0                   | 0                    | 0                    |
| Current portion of mission loans<br>receivable (note 9)  | <u>0</u>             | <u>672,826</u>              | <u>0</u>            | <u>672,826</u>       | <u>651,125</u>       |
|  | 17,598,068           | (14,679,005)                | 0                   | 2,919,063            | 1,672,408            |
| Mission loans receivable (note 9)                        | 0                    | 8,855,043                   | 0                   | 8,855,043            | 9,159,831            |
| Long term investments (note 10)                          | 0                    | 22,400,767                  | 0                   | 22,400,767           | 22,796,316           |
| Property, land and equipment (note 11)                   | 0                    | 0                           | 2,021,193           | 2,021,193            | 2,133,108            |
| Trust fund - land (note 11)                              | 0                    | 3,000,000                   | 0                   | 3,000,000            | 3,000,000            |
| Long term investments held to fund<br>annuities (note 8) | 0                    | 1,403                       | 0                   | 1,403                | 9,594                |
| Preferred shares held in PFSG (note 18)                  | 0                    | 2,287,798                   | 0                   | 2,287,798            | 2,287,798            |
| Investment in PFSG (note 18)                             | 1                    | 0                           | 0                   | 1                    | 2,371                |
| Investment in CSC (note 19)                              | <u>3,298</u>         | <u>0</u>                    | <u>0</u>            | <u>3,298</u>         | <u>14,761</u>        |
|  | <u>\$ 17,601,367</u> | <u>\$ 21,866,006</u>        | <u>\$ 2,021,193</u> | <u>\$ 41,488,566</u> | <u>\$ 41,076,187</u> |
| <b>LIABILITIES</b>                                       |                      |                             |                     |                      |                      |
| <b>CURRENT</b>   |                      |                             |                     |                      |                      |
| Line of credit (note 12)                                 | \$ 0                 | \$ 0                        | \$ 0                | \$ 0                 | \$ 859,198           |
| Accounts payable and accrued liabilities                 | 688,616              | 8,812                       | 0                   | 697,428              | 567,714              |
| Due to related parties (note 20)                         | 722,243              | 0                           | 0                   | 722,243              | 13,746               |
| Current portion of loans payable (note 13)               | <u>0</u>             | <u>1,024,033</u>            | <u>0</u>            | <u>1,024,033</u>     | <u>714,993</u>       |
|  | 1,410,859            | 1,032,845                   | 0                   | 2,443,704            | 2,155,651            |
| Gift annuities and agreements (note 8)                   | 0                    | 957,834                     | 0                   | 957,834              | 1,013,890            |
| Revocable gift agreements (note 14)                      | 0                    | 4,000                       | 0                   | 4,000                | 4,000                |
| Global worker repatriation (note 15)                     | 0                    | 1,417,366                   | 0                   | 1,417,366            | 1,359,294            |
| Loans payable (note 13)                                  | <u>0</u>             | <u>1,664,689</u>            | <u>0</u>            | <u>1,664,689</u>     | <u>2,038,726</u>     |
|  | <u>1,410,859</u>     | <u>5,076,734</u>            | <u>0</u>            | <u>6,487,593</u>     | <u>6,571,561</u>     |
| <b>FUND BALANCES</b>                                     |                      |                             |                     |                      |                      |
| Operations   | 121,880              | 0                           | 0                   | 121,880              | 133,455              |
| Internally restricted                                    |                      |                             |                     |                      |                      |
| - shared funding   | 6,775,918            | 0                           | 0                   | 6,775,918            | 7,502,907            |
| - designated funds                                       | 2,289,086            | 0                           | 0                   | 2,289,086            | 2,273,328            |
| Externally restricted                                    |                      |                             |                     |                      |                      |
| - designated funds                                       | 7,003,624            | 0                           | 0                   | 7,003,624            | 5,903,746            |
| - trust funds  | 0                    | 16,789,272                  | 0                   | 16,789,272           | 16,558,082           |
| Invested in property and equipment                       | <u>0</u>             | <u>0</u>                    | <u>2,021,193</u>    | <u>2,021,193</u>     | <u>2,133,108</u>     |
|  | <u>16,190,508</u>    | <u>16,789,272</u>           | <u>2,021,193</u>    | <u>35,000,973</u>    | <u>34,504,626</u>    |
|  | <u>\$ 17,601,367</u> | <u>\$ 21,866,006</u>        | <u>\$ 2,021,193</u> | <u>\$ 41,488,566</u> | <u>\$ 41,076,187</u> |

THE PENTECOSTAL ASSEMBLIES OF CANADA

NON-CONSOLIDATED STATEMENT OF CHANGES IN OPERATING AND FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2023

|   | Operations<br>(note 2)<br><i>unrestricted</i> | Shared<br>Funding<br>(note 4)<br><i>internally<br/>restricted</i> | Designated<br>Internal<br>(note 4)<br><i>internally<br/>restricted</i> | Designated<br>External<br>(note 4)<br><i>externally<br/>restricted</i> | 2023<br>Total       | 2022<br>Total       |
|---|---|---|--|--|---------------------|---------------------|
| <b>NET ASSETS, beginning of year</b>                                  | \$ 133,455                                    | \$ 7,502,907  | \$ 2,273,328   | \$ 5,903,746   | \$15,813,436        | \$15,644,753        |
| Interfund transfers (note 16)   | 57,860  | (1,178,195)   | 75,425   | 1,066,629  | 21,719              | 58,950              |
| Net (expenses over revenue)<br>revenues over expenses<br>for the year | <u>(69,435)</u>                               | <u>451,206</u>  | <u>(59,667)</u>  | <u>33,249</u>  | <u>355,353</u>      | <u>109,733</u>      |
| <b>NET ASSETS, end of year</b>  | <u>\$ 121,880</u>                             | <u>\$ 6,775,918</u>   | <u>\$ 2,289,086</u>  | <u>\$ 7,003,624</u>  | <u>\$16,190,508</u> | <u>\$15,813,436</u> |

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**NON-CONSOLIDATED STATEMENT OF OPERATING FUND ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

|   | Operations<br>(note 2) | Shared<br>Funding<br>(note 4) | Designated<br>Funds<br>(note 4) | 2023<br>Total     | 2022<br>Total     |
|---|------------------------|-------------------------------|---------------------------------|-------------------|-------------------|
| <b>REVENUES (note 5)</b>  |                        |                               |                                 |                   |                   |
| Donations - shared funding  |                        |                               |                                 |                   |                   |
| Mission Global  | \$ 0                   | \$ 11,931,098                 | \$ 0                            | \$ 11,931,098     | \$ 11,801,981     |
| Mission Canada  | 0                      | 2,317,159                     | 0                               | 2,317,159         | 1,342,744         |
| Donations (note 20)   | 2,391,252              | 0                             | 7,671,806                       | 10,063,058        | 8,693,687         |
| Fellowship tithe  | 1,798,508              | 0                             | 0                               | 1,798,508         | 1,473,207         |
| Sales and services (note 20)  | 1,065,406              | 0                             | 347,980                         | 1,413,386         | 1,420,138         |
| Bequests  | 149,096                | 0                             | 1,042,113                       | 1,191,209         | 643,071           |
| Investment revenues   | 975,554                | 0                             | 68,779                          | 1,044,333         | 803,131           |
| Credential fees   | 465,585                | 0                             | 0                               | 465,585           | 476,838           |
|   | <u>6,845,401</u>       | <u>14,248,257</u>             | <u>9,130,678</u>                | <u>30,224,336</u> | <u>26,654,797</u> |
| <b>EXPENSES</b>   |                        |                               |                                 |                   |                   |
| Mission Global  | 2,852,503              | 11,391,947                    | 8,142,134                       | 22,386,584        | 20,984,994        |
| Fellowship Services (note 6)  | 3,402,214              | 0                             | 340,090                         | 3,742,304         | 3,245,524         |
| Mission Canada  | 646,286                | 2,405,104                     | 674,872                         | 3,726,262         | 2,319,952         |
|   | <u>6,901,003</u>       | <u>13,797,051</u>             | <u>9,157,096</u>                | <u>29,855,150</u> | <u>26,550,470</u> |
| <b>(DEFICIT) EXCESS OF REVENUES<br/>OVER EXPENSES FROM<br/>OPERATIONS</b>                       |                        |                               |                                 |                   |                   |
|   | (55,602)               | 451,206                       | (26,418)                        | 369,186           | 104,327           |
| Loss on investment in PFSG (note 18)  | (2,370)                | 0                             | 0                               | (2,370)           | (2)               |
| (Loss) Gain on investment in CSC<br>(note 19)   | (11,463)               | 0                             | 0                               | (11,463)          | 5,408             |
| <b>NET (EXPENSES OVER REVENUES)<br/>REVENUES OVER EXPENSES<br/>for the year</b>                 |                        |                               |                                 |                   |                   |
|   | (69,435)               | 451,206                       | (26,418)                        | 355,353           | 109,733           |
| Interfund transfers (note 16)   | 57,860                 | (1,178,195)                   | 1,142,054                       | 21,719            | 58,950            |
| <b>NET (EXPENSES OVER REVENUES)<br/>REVENUES OVER EXPENSES for<br/>the year after transfers</b> |                        |                               |                                 |                   |                   |
|   | <u>\$ (11,575)</u>     | <u>\$ (726,989)</u>           | <u>\$ 1,115,636</u>             | <u>\$ 377,072</u> | <u>\$ 168,683</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, 2023

|   | Trust Funds<br>(note 17) |                      | Property Fund       |                     |
|---|--------------------------|----------------------|---------------------|---------------------|
|   | 2023                     | 2022                 | 2023                | 2022                |
| <b>REVENUES</b>                         |                          |                      |                     |                     |
| Donations                               | \$ 0                     | \$ 126,558           | \$ 0                | \$ 0                |
| Investment revenues                     | 768,299                  | 810,658              | 0                   | 0                   |
| Recovery                                | 124                      | 0                    | 0                   | 0                   |
| Actuarial adjustment on annuities       | 106,056                  | 112,256              | 0                   | 0                   |
|   | <u>874,479</u>           | <u>1,049,472</u>     | <u>0</u>            | <u>0</u>            |
| <b>EXPENSES</b>                         |                          |                      |                     |                     |
| Amortization                            | 0                        | 0                    | 143,196             | 141,167             |
| Distributions to other ministries       | 57,715                   | 66,553               | 0                   | 0                   |
| Benefit payments                        | 175,605                  | 183,034              | 0                   | 0                   |
| Interest expense (note 13)              | 331,864                  | 294,445              | 0                   | 0                   |
| Trust funds management fee              | 9,429                    | 7,375                | 0                   | 0                   |
| Administrative expenses                 | 15,676                   | 65,336               | 0                   | 0                   |
|   | <u>590,289</u>           | <u>616,743</u>       | <u>143,196</u>      | <u>141,167</u>      |
| Net increase (decrease) in funds        | 284,190                  | 432,729              | (143,196)           | (141,167)           |
| <b>Fund balances, beginning of year</b> | 16,558,082               | 16,211,083           | 2,133,108           | 2,247,495           |
| Interfund transfers (note 16)           | <u>(53,000)</u>          | <u>(85,730)</u>      | <u>31,281</u>       | <u>26,780</u>       |
| <b>Fund balances, end of year</b>       | <u>\$ 16,789,272</u>     | <u>\$ 16,558,082</u> | <u>\$ 2,021,193</u> | <u>\$ 2,133,108</u> |



**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

|  | <b>2023</b>         | <b>2022</b>        |
|--|---------------------|--------------------|
| <b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b> |                     |                    |
| Excess of revenues over expenses for the year          | \$ 355,353          | \$ 109,733         |
| Net increase in trust funds                            | 284,190             | 432,729            |
| Net decrease in property fund                          | <u>(143,196)</u>    | <u>(141,167)</u>   |
|  | 496,347             | 401,295            |
| Items not requiring an outlay of cash                  |                     |                    |
| Amortization   | 143,196             | 141,167            |
| Investment in PFSG                                     | 2,370               | 2                  |
| Investment in CSC                                      | <u>11,463</u>       | <u>(5,408)</u>     |
|  | 653,376             | 537,056            |
| Changes in non-cash working capital                    |                     |                    |
| Accounts receivable                                    | (71,504)            | 73,117             |
| Inventory and prepaids                                 | (126,958)           | (6,426)            |
| Accounts payable and accrued liabilities               | 129,714             | (12,750)           |
| Due to related parties                                 | 708,497             | 514,408            |
| Global worker repatriation                             | <u>58,072</u>       | <u>104,906</u>     |
|  | <u>1,351,197</u>    | <u>1,210,311</u>   |
| <b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b> |                     |                    |
| Gift annuities issued                                  | (56,056)            | (112,256)          |
| Issuance (repayment) of loans payable                  | (64,997)            | 922,858            |
| Line of credit   | <u>(859,198)</u>    | <u>859,198</u>     |
|  | <u>(980,251)</u>    | <u>1,669,800</u>   |
| <b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b> |                     |                    |
| Mission loans receivable                               | 283,087             | (166,825)          |
| Long term investments held to fund annuities           | 8,191               | 45,300             |
| Long term investments                                  | 395,549             | (3,857,945)        |
| Purchase of property and equipment                     | <u>(31,281)</u>     | <u>(26,780)</u>    |
|  | <u>655,546</u>      | <u>(4,006,250)</u> |
| <b>NET INCREASE (DECREASE) IN CASH</b>                 | 1,026,492           | (1,126,139)        |
| <b>NET CASH, BEGINNING OF YEAR</b>                     | <u>753,740</u>      | <u>1,879,879</u>   |
| <b>NET CASH, END OF YEAR</b>                           | <u>\$ 1,780,232</u> | <u>\$ 753,740</u>  |

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**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 under the Income Tax Act, and, accordingly, 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 mission 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:

Fund accounting

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

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.

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 fellowship 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 services and credential fees are recorded as services are performed. Investment revenues are recorded as earned.

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, 2023**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 the useful lives of property, land and equipment and the fair value of the annuity liability. Actual results could differ from these estimates.

Allocation of administration expenditures

The PAOC allocates the following expenditures to departments of the organization based on the following:

- Accounting – based on functions used
- Computers / information technology – based on number of users and usage
- Premises – based on square footage used
- Human resources support and reception – based on number of staff and the number of calls received

Financial instruments

*Measurement of financial instruments*

The organization initially measures its financial assets and liabilities at fair value, except for related party transactions which are recorded at cost and measured using the carrying amount or exchange amount depending on the circumstances.

The organization subsequently measures all of its financial assets and liabilities at amortized cost, unless otherwise noted below.

Cost in a related party transaction with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor.

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

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments (continued)

*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.

*Transaction costs*

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in excess of revenue over expenditures in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in excess of revenue over expenditures over the life of the instrument using the straight-line method.

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 Mission Global 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 Mission Global 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.

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**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. PFSG provides mortgage loans to charities within PAOC (ie. building and renovating churches and bible colleges), and funds these mortgage loans by issuing and distributing notes to investors. 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.

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 Specified Ontario Multi-Employer Pension Plan ("SOMEPP"), of which the PAOC is a member. Specified contributions made by eligible employees are matched by the employers.

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. The charity will be dissolved within the next fiscal year.

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.

Asian Outreach Canada

Asian Outreach International (Canada) is a Canadian charity which facilitates important health, education, community development, spiritual development, leadership training and literature and resources programs in Cambodia, China, Mongolia, Nepal, Thailand and Vietnam. The organization follows these core values: national leadership with international partnership, indigenous program with global experience, local support with worldwide investment, kingdom networking with strategic alliances and total accountability with practical experience. The organization is related to the PAOC through the membership level of the organization.

**THE PENTECOSTAL ASSEMBLIES OF CANADA**  
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**3. RELATED PARTY TRANSACTIONS (continued)**

Covenant Securities Corp.

The Covenant Securities Corp. (CSC) is a wholly-owned subsidiary of the PAOC and was incorporated June 15, 2017 under the Canada Business Corporations Act. CSC was formed for the sole purpose of distribution and trading in certain evidences of indebtedness, issued by Pentecostal Financial Services Group (PFSG). CSC and PFSG are affiliates through common control by The Pentecostal Assemblies of Canada (PAOC).

Pentecostal Assemblies of Canada Foundation

The Pentecostal Assemblies of Canada (PAOC) Foundation was incorporated on January 28, 2016. Subject to the Certificate of Incorporation, the PAOC Foundation seeks to promote, solicit, accept and utilize gifts for the ministries and mission of The Pentecostal Assemblies of Canada as well as other ministries whose objectives are in alignment with the mission of the PAOC and the Evangelical Fellowship of Canada. The PAOC Foundation's purpose is the promotion of the Gospel of Jesus Christ, education and alleviation of poverty in Canada and overseas.

**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 General Secretary 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 General Secretary Treasurer 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 Mission Global and Mission Canada, and are adjusted accordingly as required.

Internally restricted funds – designated funds

The internally restricted funds are all the funds set aside by the Board for future projects or ministries. Each project or ministry must be carrying out the charitable objectives of the PAOC. 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.

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

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.

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 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:

|                      | <b>2023</b>               |                           |                                | <b>2022</b>          |                      |
|----------------------|---------------------------|---------------------------|--------------------------------|----------------------|----------------------|
|                      | <b>Mission<br/>Global</b> | <b>Mission<br/>Canada</b> | <b>Fellowship<br/>Services</b> | <b>Total</b>         | <b>Total</b>         |
| Donations            | \$ 13,863,321             | \$ 2,585,194              | \$ 190,994                     | \$ 16,639,509        | \$ 15,389,628        |
| Designated donations | 6,853,195                 | 508,570                   | 310,041                        | 7,671,806            | 6,448,784            |
| Bequests             | <u>940,524</u>            | <u>26,234</u>             | <u>224,451</u>                 | <u>1,191,209</u>     | <u>643,071</u>       |
|                      | 21,657,040                | 3,119,998                 | 725,486                        | 25,502,524           | 22,481,483           |
| Fellowship tithe     | 0                         | 464,048                   | 1,334,460                      | 1,798,508            | 1,473,207            |
| Sales and services   | 253,568                   | 165,490                   | 994,328                        | 1,413,386            | 1,420,138            |
| Investment revenues  | 608,679                   | 76,977                    | 358,677                        | 1,044,333            | 803,131              |
| Credential fees      | <u>0</u>                  | <u>0</u>                  | <u>465,585</u>                 | <u>465,585</u>       | <u>476,838</u>       |
|                      | <u>\$ 22,519,287</u>      | <u>\$ 3,826,513</u>       | <u>\$ 3,878,536</u>            | <u>\$ 30,224,336</u> | <u>\$ 26,654,797</u> |

b) Total donations consist of:

|                  | <b>2023</b>          | <b>2022</b>          |
|------------------|----------------------|----------------------|
| Operations       | \$ 2,391,252         | \$ 2,244,903         |
| Shared funding   | 14,248,257           | 13,144,725           |
| Designated funds | 7,671,806            | 6,448,784            |
| Bequests         | <u>1,191,209</u>     | <u>643,071</u>       |
|                  | <u>\$ 25,502,524</u> | <u>\$ 22,481,483</u> |



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**6. FELLOWSHIP SERVICES**

PAOC Fellowship Services is a diverse team of ministry specialists providing leadership and organizational support for the PAOC constituency, International Office, and others, enabling effective fulfillment of the PAOC's mission.

Fellowship Services operational expenses consisted of the following:

|                                 | <b>2023</b>         | <b>2022</b>         |
|---------------------------------|---------------------|---------------------|
| Communications/Publications     | \$ 351,954          | \$ 287,116          |
| Constituent services            | 445,855             | 468,331             |
| Governance                      | 1,873,763           | 1,694,575           |
| Related parties shared services | <u>730,642</u>      | <u>366,258</u>      |
|                                 | <u>\$ 3,402,214</u> | <u>\$ 2,816,280</u> |

**7. INTERFUND INVESTMENT**

An investment totaling \$5,289,685 (2022 - \$5,595,138), 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, 2024.

**8. 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.

The estimated obligation for gift annuity payments is \$957,834 (2022 - \$1,013,890).

New gift annuities issued during the year totaled \$50,000 (2022 - \$0). Gift annuities terminated during the year totaled \$183,885 (2022 - \$64,549).

**9. MISSION LOANS RECEIVABLE**

Mission loans receivable consist of the following:

|                       | <b>2023</b>         | <b>2022</b>         |
|-----------------------|---------------------|---------------------|
| Interest bearing      | \$ 9,527,869        | \$ 9,810,956        |
| Less: current portion | <u>(672,826)</u>    | <u>(651,125)</u>    |
|                       | <u>\$ 8,855,043</u> | <u>\$ 9,159,831</u> |

The interest bearing mission loans receivable are due on demand, and bear interest at rates between 4.00% and 7.75% (2022 - 4.00% and 6.50%) per annum.

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**10. LONG TERM INVESTMENTS**

|                       | <b>2023</b>          | <b>2022</b>          |
|-----------------------|----------------------|----------------------|
| Loans and mortgages   | \$ 2,348,418         | \$ 4,015,809         |
| Loan to PFSG          | 8,845,567            | 2,245,567            |
| Alternative mortgage  | 11,206,782           | 8,306,372            |
| Portfolio investments | <u>0</u>             | <u>8,228,568</u>     |
|                       | <u>\$ 22,400,767</u> | <u>\$ 22,796,316</u> |

The loans and mortgages are due at various dates between January 1, 2024 and December 23, 2029 (2022 - January 1, 2023 and December 23, 2029) and earn interest at rates in the range of 4.0% and 7.75% (2022 - 4.0% and 7.25%). It is management's intention to reinvest the funds as they come due. Included in the loans and mortgages total are interest free church planting loans with a combined principal amount of \$195,067 (2022 - \$182,386) which are due on demand.

The loan from PFSG is unsecured, bears interest at 5.39% (2022 - 5.03%) and is due June 30, 2024.

**11. PROPERTY, LAND AND EQUIPMENT**

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

|   | <b>Cost</b>         | <b>Accumulated<br/>Amortization</b> | <b>Net<br/>2023</b> | <b>Net<br/>2022</b> |
|---|---------------------|-------------------------------------|---------------------|---------------------|
| 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             |
| International office building                         | 2,948,348           | 1,412,248                           | 1,536,100           | 1,608,727           |
| Furniture, fixtures, office<br>and computer equipment | 3,508,803           | 3,416,563                           | 92,240              | 131,528             |
| Other property (b)                                    | <u>2</u>            | <u>0</u>                            | <u>2</u>            | <u>2</u>            |
|   | <u>6,850,004</u>    | <u>4,828,811</u>                    | <u>2,021,193</u>    | <u>2,133,108</u>    |
|   | <u>\$ 9,850,004</u> | <u>\$ 4,828,811</u>                 | <u>\$ 5,021,193</u> | <u>\$ 5,133,108</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 \$2.

**12. LINE OF CREDIT**

The PAOC has access to \$3,000,000 in a line of credit, at an interest rate of prime, secured by a general security agreement. The balance outstanding at year end was \$0 (2022 - \$859,198).

The use of the line of credit at prior year end was a strategic decision to assist with short term finances due to a mortgage payout delay.

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**13. 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:

|   | <b>2023</b>         | <b>2022</b>         |
|---|---------------------|---------------------|
| Loan payable, bearing interest at 4.25%, due February 28, 2023  | \$ 0                | \$ 650,000          |
| Loan payable, bearing interest at 3.50%, due May 1, 2024        | 24,033              | 81,439              |
| Loan payable, bearing interest at 3.25%, due September 30, 2024 | 1,000,000           | 1,000,000           |
| Loan payable, bearing interest at 4.00%, due August 10, 2025    | 14,689              | 22,280              |
| Loan payable, bearing interest at 4.25%, due August 23, 2025    | 1,000,000           | 1,000,000           |
| Loan payable, bearing interest at 5.25%, due March 1, 2026      | 400,000             | 0                   |
| Loan payable, bearing interest at 4.25%, due March 1, 2026      | <u>250,000</u>      | <u>0</u>            |
| Loans payable   | 2,688,722           | 2,753,719           |
| Less current portion  | <u>1,024,033</u>    | <u>714,993</u>      |
|   | <u>\$ 1,664,689</u> | <u>\$ 2,038,726</u> |

Interest in the amount of \$331,864 (2022 - \$294,445) 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:

|      |                     |
|------|---------------------|
| 2024 | \$ 1,024,033        |
| 2025 | 1,014,689           |
| 2026 | <u>650,000</u>      |
|      | <u>\$ 2,688,722</u> |

**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 118 Global Workers (2022 - 126). 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.

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**16. INTERFUND TRANSFERS**

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

|                                    | <b>2023</b>      | <b>2022</b>      |
|------------------------------------|------------------|------------------|
| Trust Funds                        |                  |                  |
| PAOC Endowment Fund                | \$ 0             | \$ (228)         |
| Trust for Mission Global           | <u>53,000</u>    | <u>85,958</u>    |
|                                    | 53,000           | 85,730           |
| Property Fund                      |                  |                  |
| Purchase of property and equipment | <u>(31,281)</u>  | <u>(26,780)</u>  |
|                                    | <u>\$ 21,719</u> | <u>\$ 58,950</u> |

**17. TRUST FUNDS - CHANGES IN FUND BALANCES**

|                           | <b>Jan. 1, 2023<br/>Opening<br/>Balance</b> | <b>Increase</b>   | <b>Decrease</b>     | <b>Transfers<br/>In (Out)</b> | <b>Dec. 31, 2023<br/>Ending<br/>Balance</b> |
|---------------------------|---|-------------------|---------------------|-------------------------------|---|
| PAOC Endowment            | \$ 6,872,338                                | \$ 56,897         | \$ (10,000)         | \$ 0                          | \$ 6,919,235                                |
| John & Lydia Rebman Trust | 3,037,000                                   | 12,911            | (5,676)             | 0                             | 3,044,235                                   |
| McKay Trust               | 2,581,612                                   | 95,303            | (46,927)            | 0                             | 2,629,988                                   |
| Mission Loan Fund         | 1,530,008                                   | 458,378           | (331,864)           | 0                             | 1,656,522                                   |
| Church Planting Trust     | 722,085                                     | 26,637            | 0                   | 0                             | 748,722                                     |
| Santroc Trust             | 460,141                                     | 19,666            | (10,561)            | 0                             | 469,246                                     |
| Harrison Trust            | 324,069                                     | 602               | (878)               | 0                             | 323,793                                     |
| Annuity Fund              | 291,372                                     | 191,463           | (175,604)           | 0                             | 307,231                                     |
| Hutchinson Trust          | 279,768                                     | 523               | (758)               | 0                             | 279,533                                     |
| Kirk Trust                | 100,942                                     | 5,495             | (275)               | 0                             | 106,162                                     |
| Non-Quon Fund             | 98,934                                      | 1,072             | 0                   | 0                             | 100,006                                     |
| Memorial Fund             | 69,859                                      | 252               | (378)               | 0                             | 69,733                                      |
| Buchanan Trust            | 38,282                                      | 2,011             | 0                   | 0                             | 40,293                                      |
| Dean Trust                | 39,965                                      | 182               | (216)               | 0                             | 39,931                                      |
| Putrus Trust              | 35,501                                      | 2,029             | (152)               | 0                             | 37,378                                      |
| Revocable Trust           | 12,674                                      | 876               | 0                   | 0                             | 13,550                                      |
| Literature Fund           | 3,532                                       | 182               | 0                   | 0                             | 3,714                                       |
| Trust for Mission Global  | <u>60,000</u>                               | <u>0</u>          | <u>(7,000)</u>      | <u>(53,000)</u>               | <u>0</u>                                    |
|                           | <u>\$ 16,558,082</u>                        | <u>\$ 874,479</u> | <u>\$ (590,289)</u> | <u>\$ (53,000)</u>            | <u>\$ 16,789,272</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, 2023, this restricted portion amounted to \$10,140,507 (2022 - \$10,096,000).

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**18. INVESTMENT IN PENTECOSTAL FINANCIAL SERVICES GROUP INC. (PFSG)**

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

On December 8, 2023, the Board of Directors of PFSG approved a motion to begin the strategic wind-down. The wind-down of PFSG has certain securities regulatory implications. The Note Program operated by PFSG is governed by a decision document dated August 30, 2019, issued jointly by the Ontario Securities Commission and the other securities regulatory authorities across Canada. The Board is represented by legal counsel and is working with the Ontario Securities Commission to ensure that the manner in which the Note Program is wound down complies with the decision document. PFSG's Noteholders all come from within the PAOC Community. For this reason, the overarching objective of PFSG and the PAOC in planning the wind-down process for the Note Program is the protection of these investors. PFSG will wind-down the Note Program by shutting down the sale of new Notes and by paying out each existing Note at its maturity date. PFSG will wind-down the mortgage loan component of its operations by making no new mortgage loans and by requiring each existing mortgage loan to be paid out at its maturity date, including through refinancing by a third-party lender. Mortgages not repaid or refinanced will be sold to another lender, including sale to PAOC or a PAOC-related institution. When the wind-down of the Note Program is completed and no mortgage loans remain at PFSG, PFSG itself will then be wound down.

|   | <b>2023</b>          | <b>2022</b>          |
|---|----------------------|----------------------|
| <b>Gain on investment in PFSG</b>                   |                      |                      |
| Net (loss) income                                   | \$ (66,888)          | \$ 19,248            |
| Dividends   | <u>0</u>             | <u>(19,250)</u>      |
|   | <u>\$ (66,888)</u>   | <u>\$ (2)</u>        |
|   | <b>2023</b>          | <b>2022</b>          |
| <b>Financial Position</b>                           |                      |                      |
| <b>Assets</b>                                       | <u>\$ 27,076,764</u> | <u>\$ 29,303,179</u> |
| Liabilities   | \$ 24,853,483        | \$ 27,013,010        |
| Common shares                                       | 1                    | 1                    |
| Preferred shares                                    | 2,287,798            | 2,287,798            |
| (Accumulated deficit) retained earnings             | <u>(64,518)</u>      | <u>2,370</u>         |
| <b>Total liabilities and retained earnings</b>      | <u>\$ 27,076,764</u> | <u>\$ 29,303,179</u> |
| <b>Results of operations</b>                        |                      |                      |
| Revenue   | \$ 1,423,553         | \$ 1,476,408         |
| Expenses  | <u>1,502,380</u>     | <u>1,451,004</u>     |
| Net (loss) income before income taxes               | (78,827)             | 25,404               |
| (Recovery of) provision for income taxes            | <u>(11,939)</u>      | <u>6,156</u>         |
| Net (loss) income                                   | <u>\$ (66,888)</u>   | <u>\$ 19,248</u>     |
| Cash provided by (used in) operations               | \$ (57,272)          | \$ 8,206             |
| Cash provided by financing and investing activities | <u>232,815</u>       | <u>(886,213)</u>     |
| <b>Net increase (decrease) in cash</b>              | <u>\$ 175,543</u>    | <u>\$ (878,007)</u>  |

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**19. INVESTMENT IN COVENANT SECURITIES CORP. (CSC)**

PAOC is the sole shareholder and, therefore, controls CSC. CSC, a for-profit corporation, has not been consolidated in PAOC's financial statements. The investment has been accounted for using the equity method.

CSC receives fee revenue from PFSG for the issuance of investor certificates. With the Board of Directors of PFSG approving its strategic wind up, the Board of Directors of CSC is currently looking into alternative options.

|   | <b>2023</b>        | <b>2022</b>       |
|---|--------------------|-------------------|
| <b>Gain on investment in CSC</b>                  |                    |                   |
| Net (loss) income                                 | \$ <u>(11,463)</u> | \$ <u>5,408</u>   |
| <b>Financial Position</b>                         |                    |                   |
| <b>Assets</b>                                     | \$ <u>129,994</u>  | \$ <u>147,243</u> |
|   | <b>2023</b>        | <b>2022</b>       |
| Liabilities                                       | \$ 126,696         | \$ 132,482        |
| Common shares                                     | 1                  | 1                 |
| Retained earnings                                 | <u>3,297</u>       | <u>14,760</u>     |
| <b>Total liabilities and retained earnings</b>    | \$ <u>129,994</u>  | \$ <u>147,243</u> |
| <b>Results of operations</b>                      |                    |                   |
| Revenue   | \$ 200,997         | \$ 217,803        |
| Expenses  | <u>217,055</u>     | <u>210,358</u>    |
| Net (loss) income before income taxes             | (16,058)           | 7,445             |
| (Recovery of) provision for income taxes          | <u>(4,595)</u>     | <u>2,037</u>      |
| Net (loss) income                                 | \$ <u>(11,463)</u> | \$ <u>5,408</u>   |
| Cash (used in) provided by operations             | \$ (37,117)        | \$ (15,891)       |
| Cash (used in) financing and investing activities | <u>0</u>           | <u>81,554</u>     |
| <b>Net (decrease) increase in cash</b>            | \$ <u>(37,117)</u> | \$ <u>65,663</u>  |

**20. DUE FROM (TO) RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

|  | <b>2023</b>         | <b>2022</b>        |
|--|---------------------|--------------------|
| Due from PFSG                          | \$ 76,422           | \$ 147,441         |
| Due (to) from ERDO                     | (42,552)            | 38,415             |
| Due to the Pension Fund                | (229,944)           | (26,421)           |
| Due to Villages of Hope Africa Society | (396,034)           | (16,576)           |
| Due (to) from Asian Outreach Canada    | (2,258)             | 228                |
| Due to Mission Link                    | 0                   | (3,353)            |
| Due to PAOC Foundation                 | (87,760)            | (128,147)          |
| Due to CSC                             | <u>(40,117)</u>     | <u>(25,333)</u>    |
|  | \$ <u>(722,243)</u> | \$ <u>(13,746)</u> |

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**20. DUE FROM (TO) RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**

The balances due (to) from related parties are unsecured, non-interest bearing and have no set terms of repayment.

Included in donations revenue are contributions of \$0 (2022 - \$76,530) received from PFSG.

Included in sales and services revenue is \$154,317 (2022 - \$179,485), \$157,285 (2022 - \$146,827), \$61,550 (2022 - \$50,716), \$417,073 (2022 - \$396,974), \$26,949 (2022 - \$23,816) paid to the PAOC for management and administrative functions by PFSG, ERDO, VOHAS, the Pension Fund and CSC respectively.

**21. FINANCIAL INSTRUMENTS**

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

The extent of the organization's exposure to these risks did not change in 2023 compared to the previous period.

Transacting in financial instruments exposes the organization to certain financial risks and uncertainties. These risks include:

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the organization by failing to discharge an obligation. The organization's credit risk is mainly related to loans and mortgages and loans payable. The company provides credit to its clients in the normal course of its operations.

Market risk

Market risk is the risk that the fair value or future cash flows of the organization's financial instruments will fluctuate because of changes in market prices. Some of the organization's financial instruments expose it to this risk, which comprises currency risk and interest rate risk.

Currency risk

The currency risk refers to the risk that the fair value of the financial instruments or future cash flows associated with them will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The organization is exposed to United States currency rate risk on foreign cash account balances in the amount of \$343,757 (2022 - \$383,716), and EURO currency rate risk on foreign cash account balances in the amount of \$(23,930) (2022 - \$3,475). Included in sales and services is an exchange (loss) gain of \$(41) (2022 - \$(834)).

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 organization is exposed to interest rate risk as a result of the floating interest rate on the bank line of credit.

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**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).

|                                     | <b>2023</b>  | <b>2022</b>  |
|-------------------------------------|--------------|--------------|
| Number of policies in good standing | 18           | 18           |
| Face value of policies              | \$ 1,845,000 | \$ 1,845,000 |
| Cash surrender value                | 328,727      | 318,549      |

**23. CONTINGENT LIABILITIES**

In the normal course of its operations, the organization is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, the organization's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

**24. PENSION PLAN**

The organization makes contributions to The Pension Fund (1969) of The Pentecostal Assemblies of Canada (the "Pension Fund"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to the Pension Fund for 2023 was \$588,707 (2022 - \$313,109). Amounts paid for current service have been included as an expenditure on the non-consolidated statement of operating fund activities. There are no past service contribution obligations.

The last available report for the Pension Fund was December 31, 2023. At that time, the Pension Fund reported \$173.8 million in net assets available for benefits (2022 - \$160.9 million). Section 76 of Regulation 909 to the Pension Benefits Act of Ontario permits the Pension Fund to exclude information regarding its pension obligation from its reports.