

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

THE PENTECOSTAL ASSEMBLIES OF CANADA
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YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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, 2022 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, 2022 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
March 23, 2023



Chartered Professional Accountants
Licensed Public Accountants

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Operating Funds	Trust Funds (note 17)	Property Funds	2022 Total	2021 Total
ASSETS					
CURRENT					
Cash	\$ 753,740	\$ 0	\$ 0	\$ 753,740	\$ 1,879,879
Accounts receivable	119,994	97,144	0	217,138	290,255
Due from (to) other funds	10,351,901	(10,351,901)	0	0	0
Inventory and prepaids	50,405	0	0	50,405	43,979
Interfund investment (note 7)	5,595,138	(5,595,138)	0	0	0
Due from related parties (note 20)	0	0	0	0	500,662
Current portion of mission loans receivable (note 9)	0	651,125	0	651,125	740,870
	<u>16,871,178</u>	<u>(15,198,770)</u>	<u>0</u>	<u>1,672,408</u>	<u>3,455,645</u>
Mission loans receivable (note 9)	0	9,159,831	0	9,159,831	8,903,261
Long term investments (note 10)	0	22,796,316	0	22,796,316	18,938,371
Property, land and equipment (note 11)	0	0	2,133,108	2,133,108	2,247,495
Trust fund - land (note 11)	0	3,000,000	0	3,000,000	3,000,000
Long term investments held to fund annuities (note 8)	0	9,594	0	9,594	54,894
Preferred shares held in PFSG (note 19)	0	2,287,798	0	2,287,798	2,287,798
Investment in PFSG (note 19)	2,371	0	0	2,371	2,373
Investment in CSC (note 19)	14,761	0	0	14,761	9,353
	<u>\$ 16,888,310</u>	<u>\$ 22,054,769</u>	<u>\$ 2,133,108</u>	<u>\$ 41,076,187</u>	<u>\$ 38,899,190</u>
LIABILITIES					
CURRENT					
Line of credit (note 12)	\$ 859,198	\$ 0	\$ 0	\$ 859,198	\$ 0
Accounts payable and accrued liabilities	201,930	365,784	0	567,714	580,464
Due to related parties (note 20)	13,746	0	0	13,746	0
Current portion of loans payable (note 13)	0	714,993	0	714,993	723,660
	<u>1,074,874</u>	<u>1,080,777</u>	<u>0</u>	<u>2,155,651</u>	<u>1,304,124</u>
Gift annuities and agreements (note 8)	0	1,013,890	0	1,013,890	1,126,146
Revocable gift agreements (note 14)	0	4,000	0	4,000	4,000
Global worker repatriation (note 15)	0	1,359,294	0	1,359,294	1,254,388
Loans payable (note 13)	0	2,038,726	0	2,038,726	1,107,201
	<u>1,074,874</u>	<u>5,496,687</u>	<u>0</u>	<u>6,571,561</u>	<u>4,795,859</u>
FUND BALANCES					
Operations	133,455	0	0	133,455	119,641
Internally restricted					
- shared funding	7,502,907	0	0	7,502,907	7,099,269
- designated funds	2,273,328	0	0	2,273,328	2,172,774
Externally restricted					
- designated funds	5,903,746	0	0	5,903,746	6,253,069
- trust funds	0	16,558,082	0	16,558,082	16,211,083
Invested in property and equipment	0	0	2,133,108	2,133,108	2,247,495
	<u>15,813,436</u>	<u>16,558,082</u>	<u>2,133,108</u>	<u>34,504,626</u>	<u>34,103,331</u>
	<u>\$ 16,888,310</u>	<u>\$ 22,054,769</u>	<u>\$ 2,133,108</u>	<u>\$ 41,076,187</u>	<u>\$ 38,899,190</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA

NON-CONSOLIDATED STATEMENT OF CHANGES IN OPERATING AND FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2022

	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>	2022 Total	2021 Total
NET ASSETS, beginning of year	\$ 119,641	\$ 7,099,269	\$ 2,172,774	\$ 6,253,069	\$15,644,753	\$13,153,134
Interfund transfers (note 16)	(32,615)	(388,810)	205,102	275,273	58,950	177,849
Net revenues over expenses (expenses over revenue) for the year	<u>46,429</u>	<u>792,448</u>	<u>(104,548)</u>	<u>(624,596)</u>	<u>109,733</u>	<u>2,313,770</u>
NET ASSETS, end of year	<u>\$ 133,455</u>	<u>\$ 7,502,907</u>	<u>\$ 2,273,328</u>	<u>\$ 5,903,746</u>	<u>\$15,813,436</u>	<u>\$15,644,753</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED STATEMENT OF OPERATING FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operations (note 2)	Shared Funding (note 4)	Designated Funds (note 4)	2022 Total	2021 Total
REVENUES (note 5)					
Donations - shared funding					
Mission Global	\$ 0	\$ 11,801,981	\$ 0	\$ 11,801,981	\$ 11,016,443
Mission Canada	0	1,342,744	0	1,342,744	1,015,365
Donations (note 20)	2,244,903	0	6,448,784	8,693,687	10,311,393
Fellowship tithe	1,473,207	0	0	1,473,207	1,653,785
Sales and services (note 20)	1,022,908	0	397,230	1,420,138	1,060,621
Bequests	73,562	0	569,509	643,071	343,734
Investment revenues	728,857	0	74,274	803,131	1,061,062
Credential fees	476,838	0	0	476,838	500,093
	<u>6,020,275</u>	<u>13,144,725</u>	<u>7,489,797</u>	<u>26,654,797</u>	<u>26,962,496</u>
EXPENSES					
Mission Global	2,622,013	11,079,494	7,283,487	20,984,994	19,654,235
Fellowship Services (note 6)	2,816,280	0	429,244	3,245,524	3,188,022
Mission Canada	540,959	1,272,783	506,210	2,319,952	2,086,773
	<u>5,979,252</u>	<u>12,352,277</u>	<u>8,218,941</u>	<u>26,550,470</u>	<u>24,929,030</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES FROM OPERATIONS					
	41,023	792,448	(729,144)	104,327	2,033,466
Gain on investment in PFSG (note 18)	(2)	0	0	(2)	336
Gain on investment in CSC (note 19)	5,408	0	0	5,408	75
Government subsidies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>279,893</u>
NET REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) for the year					
	46,429	792,448	(729,144)	109,733	2,313,770
Interfund transfers (note 16)	<u>(32,615)</u>	<u>(388,810)</u>	<u>480,375</u>	<u>58,950</u>	<u>177,849</u>
NET REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) for the year after transfers					
	<u>\$ 13,814</u>	<u>\$ 403,638</u>	<u>\$ (248,769)</u>	<u>\$ 168,683</u>	<u>\$ 2,491,619</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, 2022

	Trust Funds (note 17)		Property Fund	
	2022	2021	2022	2021
REVENUES				
Donations	\$ 126,558	\$ 2,980	\$ 0	\$ 0
Investment revenues	810,658	578,723	0	0
Recovery	0	100,000	0	0
Actuarial adjustment on annuities	112,256	95,105	0	0
	<u>1,049,472</u>	<u>776,808</u>	<u>0</u>	<u>0</u>
EXPENSES				
Amortization	0	0	141,167	149,027
Distributions to other ministries	66,553	118,225	0	0
Benefit payments	183,034	187,853	0	0
Interest expense (note 13)	294,445	266,078	0	0
Trust funds management fee	7,375	10,008	0	0
Administrative expenses	65,336	5,246	0	0
	<u>616,743</u>	<u>587,410</u>	<u>141,167</u>	<u>149,027</u>
Net increase (decrease) in funds	432,729	189,398	(141,167)	(149,027)
Fund balances, beginning of year	16,211,083	16,240,252	2,247,495	2,355,804
Interfund transfers (note 16)	<u>(85,730)</u>	<u>(218,567)</u>	<u>26,780</u>	<u>40,718</u>
Fund balances, end of year	<u>\$ 16,558,082</u>	<u>\$ 16,211,083</u>	<u>\$ 2,133,108</u>	<u>\$ 2,247,495</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 109,733	\$ 2,313,770
Net increase in trust funds	432,729	189,398
Net decrease in property fund	<u>(141,167)</u>	<u>(149,027)</u>
	401,295	2,354,141
Items not requiring an outlay of cash		
Amortization	141,167	149,027
Investment in PFSG	2	(336)
Investment in CSC	<u>(5,408)</u>	<u>(75)</u>
	537,056	2,502,757
Changes in non-cash working capital		
Accounts receivable	73,117	69,959
Inventory and prepaids	(6,426)	10,247
Due from/to related parties	514,408	(604,383)
Accounts payable and accrued liabilities	(12,750)	(111,983)
Global worker repatriation	<u>104,906</u>	<u>113,648</u>
	<u>1,210,311</u>	<u>1,980,245</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Gift annuities issued	(112,256)	4,895
Issuance (repayment) of loans payable	922,858	717,778
Line of credit	<u>859,198</u>	<u>0</u>
	<u>1,669,800</u>	<u>722,673</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Mission loans receivable	(166,825)	(1,370,817)
Long term investments held to fund annuities	45,300	22,437
Long term investments	(3,857,945)	(3,180,687)
Purchase of property and equipment	(26,780)	(40,718)
Preferred shares in PFSG	<u>0</u>	<u>(209,425)</u>
	<u>(4,006,250)</u>	<u>(4,779,210)</u>
NET DECREASE IN CASH	(1,126,139)	(2,076,292)
NET CASH, BEGINNING OF YEAR	<u>1,879,879</u>	<u>3,956,171</u>
NET CASH, END OF YEAR	<u>\$ 753,740</u>	<u>\$ 1,879,879</u>

THE PENTECOSTAL ASSEMBLIES OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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:

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, 2022

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, 2022

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
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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
FOR THE YEAR ENDED DECEMBER 31, 2022

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
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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:

		2022			2021	
	Mission Global	Mission Canada	Fellowship Services	Total	Total	
Donations	\$ 13,733,097	\$ 1,503,025	\$ 153,506	\$ 15,389,628	\$ 14,146,052	
Designated donations	5,841,515	163,014	444,255	6,448,784	8,197,149	
Bequests	<u>523,157</u>	<u>14,627</u>	<u>105,287</u>	<u>643,071</u>	<u>343,734</u>	
	20,097,769	1,680,666	703,048	22,481,483	22,686,935	
Fellowship tithe	0	380,247	1,092,960	1,473,207	1,653,785	
Sales and services	214,538	204,481	1,001,119	1,420,138	1,060,621	
Investment revenues	528,316	55,625	219,190	803,131	1,061,062	
Credential fees	<u>0</u>	<u>0</u>	<u>476,838</u>	<u>476,838</u>	<u>500,093</u>	
	<u>\$ 20,840,623</u>	<u>\$ 2,321,019</u>	<u>\$ 3,493,155</u>	<u>\$ 26,654,797</u>	<u>\$ 26,962,496</u>	

b) Total donations consist of:

	2022	2021
Operations	\$ 2,244,903	\$ 2,114,244
Shared funding	13,144,725	12,031,808
Designated funds	6,448,784	8,197,149
Bequests	<u>643,071</u>	<u>343,734</u>
	<u>\$ 22,481,483</u>	<u>\$ 22,686,935</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:

	2022	2021
Communications/Publications	\$ 287,116	\$ 353,628
Constituent services	468,331	522,950
Governance	1,694,575	1,199,327
Related parties shared services	<u>366,258</u>	<u>311,386</u>
	<u>\$ 2,816,280</u>	<u>\$ 2,387,291</u>

7. INTERFUND INVESTMENT

An investment totaling \$5,595,138 (2021 - \$6,334,543), 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, 2023.

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 \$1,013,890 (2021 - \$1,126,146).

New gift annuities issued during the year totaled \$0 (2021 - \$100,000). Gift annuities terminated during the year totaled \$64,549 (2021 - \$40,000).

9. MISSION LOANS RECEIVABLE

Mission loans receivable consist of the following:

	2022	2021
Interest bearing	\$ 9,810,956	\$ 9,644,131
Less: current portion	<u>(651,125)</u>	<u>(740,870)</u>
	<u>\$ 9,159,831</u>	<u>\$ 8,903,261</u>

The interest bearing mission loans receivable are due on demand, and bear interest at rates between 4.00% and 6.50% (2021 - 4.00% and 5.00%) per annum.

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10. LONG TERM INVESTMENTS

	2022	2021
Loans and mortgages	\$ 4,015,809	\$ 3,870,458
Loan from PFSG	2,245,567	1,670,567
Alternative mortgage	8,306,372	4,734,341
Portfolio investments	8,228,568	8,163,005
Bond	<u>0</u>	<u>500,000</u>
	<u>\$ 22,796,316</u>	<u>\$ 18,938,371</u>

The loans and mortgages are due at various dates between January 1, 2023 and December 23, 2029 (2021 - January 1, 2022 and December 23, 2029) and earn interest at rates in the range of 4.0% and 7.25% (2021 - 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 \$182,386 (2021 - \$174,128) which are due on demand.

The loan from PFSG is unsecured, bears interest at 5.05% and is due June 30, 2024.

11. PROPERTY, LAND AND EQUIPMENT

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

	Cost	Accumulated Amortization	Net 2022	Net 2021
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	1,339,621	1,608,727	1,826,614
Furniture, fixtures, office and computer equipment	3,477,522	3,345,994	131,528	28,028
Other property (b)	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>
	<u>6,818,723</u>	<u>4,685,615</u>	<u>2,133,108</u>	<u>2,247,495</u>
	<u>\$ 9,818,723</u>	<u>\$ 4,685,615</u>	<u>\$ 5,133,108</u>	<u>\$ 5,247,495</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 \$859,198 (2021 - \$0).

The use of the line of credit at 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:

	2022	2021
Loan payable, bearing interest at 3.25%, due June 12, 2022	\$ 0	\$ 650,000
Loan payable, bearing interest at 4.25%, due February 28, 2023	650,000	0
Loan payable, bearing interest at 4%, due June 30, 2023	0	8,835
Loan payable, bearing interest at 3.5%, due May 1, 2024	81,439	142,452
Loan payable, bearing interest at 3.25%, due September 30, 2024	1,000,000	1,000,000
Loan payable, bearing interest at 4%, due August 10, 2025	22,280	29,574
Loan payable, bearing interest at 4.25%, due August 23, 2025	<u>1,000,000</u>	<u>0</u>
Loans payable	2,753,719	1,830,861
Less current portion	<u>714,993</u>	<u>723,660</u>
	<u>\$ 2,038,726</u>	<u>\$ 1,107,201</u>

Interest in the amount of \$294,445 (2021 - \$266,078) 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:

2023	\$ 714,993
2024	1,031,935
2025	<u>1,006,791</u>
	<u>\$ 2,753,719</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 126 Global Workers (2021 - 114). These funds are invested in loans and mortgages (note 11). 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:

	2022	2021
Trust Funds		
PAOC Endowment Fund	\$ (228)	\$ 209,425
Trust for Mission Global	<u>85,958</u>	<u>9,142</u>
	85,730	218,567
Property Fund		
Purchase of property and equipment	<u>(26,780)</u>	<u>(40,718)</u>
	<u>\$ 58,950</u>	<u>\$ 177,849</u>

17. TRUST FUNDS - CHANGES IN FUND BALANCES

	Jan. 1, 2022 Opening Balance	Increase	Decrease	Transfers In (Out)	Dec. 31, 2022 Ending Balance
PAOC Endowment	\$ 6,622,018	\$ 248,728	\$ 0	\$ 1,592	\$ 6,872,338
John & Lydia Rebman Trust	3,007,657	34,678	(5,335)	0	3,037,000
McKay Trust	2,573,645	57,456	(49,489)	0	2,581,612
Mission Loan Fund	1,434,303	390,150	(294,445)	0	1,530,008
Church Planting Trust	726,999	21,843	(60,000)	33,243	722,085
Santroc Trust	469,246	5,514	(14,619)	0	460,141
Harrison Trust	323,794	1,008	(733)	0	324,069
Annuity Fund	296,806	177,600	(183,034)	0	291,372
Hutchinson Trust	279,533	867	(632)	0	279,768
Kirk Trust	104,346	4,398	(7,802)	0	100,942
Non-Quon Fund	99,441	(507)	0	0	98,934
Memorial Fund	69,733	442	(316)	0	69,859
Trust for Mission Global	70,338	110,000	0	(120,338)	60,000
Dean Trust	39,931	215	(181)	0	39,965
Buchanan Trust	40,393	(2,111)	0	0	38,282
Putrus Trust	37,410	(1,752)	(157)	0	35,501
Revocable Trust	11,990	684	0	0	12,674
Literature Fund	3,278	254	0	0	3,532
Audrey Shields Trust	115	4	0	(119)	0
Irrevocable Fund	<u>107</u>	<u>1</u>	<u>0</u>	<u>(108)</u>	<u>0</u>
	<u>\$ 16,211,083</u>	<u>\$ 1,049,472</u>	<u>\$ (616,743)</u>	<u>\$ (85,730)</u>	<u>\$ 16,558,082</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, 2022, this restricted portion amounted to \$10,096,000 (2021 - \$10,087,400).

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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.

	2022	2021
Gain on investment in PFSG		
Net income	\$ 19,248	\$ 336
Dividends	<u>(19,250)</u>	<u>0</u>
	<u>\$ (2)</u>	<u>\$ 336</u>
	2022	2021
Financial Position		
Assets	<u>\$ 29,303,179</u>	<u>\$ 30,689,010</u>
Liabilities	\$ 27,013,010	\$ 28,398,839
Common shares	1	1
Preferred shares	2,287,798	2,287,798
Retained earnings	<u>2,370</u>	<u>2,372</u>
Total liabilities and retained earnings	<u>\$ 29,303,179</u>	<u>\$ 30,689,010</u>
Results of operations		
Revenue	\$ 1,476,408	\$ 1,615,427
Expenses	<u>1,451,004</u>	<u>1,614,426</u>
Net income before income taxes	25,404	1,001
Provision for income taxes	<u>6,156</u>	<u>665</u>
Net income	<u>\$ 19,248</u>	<u>\$ 336</u>
Cash provided by (used in) operations	\$ 8,206	\$ 140,204
Cash provided by financing and investing activities	<u>(886,213)</u>	<u>427,775</u>
Net (decrease) increase in cash	<u>\$ (878,007)</u>	<u>\$ 567,979</u>

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.

	2022	2021
Gain on investment in CSC		
Net income	<u>\$ 5,408</u>	<u>\$ 75</u>
Financial Position		
Assets	<u>\$ 147,243</u>	<u>\$ 145,193</u>

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

	2022	2021
Liabilities	\$ 132,482	\$ 135,840
Common shares	1	1
Retained earnings	<u>14,760</u>	<u>9,352</u>
Total liabilities and retained earnings	<u>\$ 147,243</u>	<u>\$ 145,193</u>
Results of operations		
Revenue	\$ 217,803	\$ 203,077
Expenses	<u>210,358</u>	<u>202,927</u>
Net income before income taxes	7,445	150
Provision for income taxes	<u>2,037</u>	<u>75</u>
Net income	<u>\$ 5,408</u>	<u>\$ 75</u>
Cash (used in) provided by operations	\$ (15,891)	\$ 8,088
Cash (used in) financing and investing activities	<u>81,554</u>	<u>(362)</u>
Net increase in cash	<u>\$ 65,663</u>	<u>\$ 7,726</u>

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

	2022	2021
Due from PFSG	\$ 147,441	\$ 23,716
Due from (to) ERDO	38,415	66,988
Due to the Pension Fund	(26,421)	(1,510)
Due from (to) Villages of Hope Africa Society	(16,576)	439,141
Due from Asian Outreach Canada	228	4,312
Due from Mission Link	(3,353)	0
Due to PAOC Foundation	(128,147)	(24,873)
Due to CSC	<u>(25,333)</u>	<u>(7,112)</u>
	<u>\$ (13,746)</u>	<u>\$ 500,662</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 \$76,530 (2021 - \$2,980) received from PFSG.

Included in sales and services revenue is \$111,521 (2021 - \$103,819), \$146,827 (2021 - \$143,180), \$50,716 (2021 - \$39,358), \$132,646 (2021 - \$132,784), \$23,816 (2021 - \$22,779) paid to the PAOC for management and administrative functions by PFSG, ERDO, VOHAS, the Pension Fund and CSC respectively.

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21. 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).

	2022	2021
Number of policies in good standing	18	16
Face value of policies	\$ 1,845,000	\$ 1,670,000
Cash surrender value	318,549	271,811

22. COMMITMENTS

The PAOC is committed under operating leases for office equipment. Future minimum annual payments required are as follows:

2023	\$ <u>25,156</u>
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23. 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 2022 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 \$383,716 (2021 - \$490,528), and EURO currency rate risk on foreign cash account balances in the amount of \$3,475 (2021 - \$31,043). Included in sales and services is an exchange (loss) gain of \$(834) (2021 - \$2,500).

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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24. 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.

25. MATERIAL UNCERTAINTY DUE TO THE NOVEL CORONAVIRUS (COVID-19)

During the year and subsequent to year end, the Novel Coronavirus (COVID-19) significantly impacted the economy in Canada and globally. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's assets and its future ability to deliver all services.