



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal Assemblies
of Canada

December 31, 2010

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**
2010 Consolidated Financial Statements

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Independent Auditor's Report

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To the District Executive of the Eastern Ontario District of The Pentecostal Assemblies of Canada

We have audited the accompanying consolidated financial statements of the Eastern Ontario District of The Pentecostal Assemblies of Canada, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of activities, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Eastern Ontario District of The Pentecostal Assemblies of Canada as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 8, 2011

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Consolidated Statement of Financial Position As at December 31

	2010				2009	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
ASSETS						
Current assets						
Cash	\$ 75,796	\$ -	\$ 45,693	\$ 67,539	\$ 189,028	\$ 157,655
Restricted cash	400,000	-	-	-	400,000	-
Accounts receivable	16,663	7,500	78,385	5,891	108,439	159,156
Inventory	1,000	-	9,549	6,950	17,499	12,350
Prepaid expenses and deposits	42,862	-	16,666	15,388	74,916	67,958
Loans receivable (notes 6 and 15)	156,982	-	-	-	156,982	186,509
	693,303	7,500	150,293	95,768	946,864	583,628
Property and equipment (note 7)	373,207	1,381,614	2,456,862	197,168	4,408,851	4,368,971
	\$ 1,066,510	\$ 1,389,114	\$ 2,607,155	\$ 292,936	\$ 5,355,715	\$ 4,952,599
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	\$ 203,635	\$ 5,169	\$ 42,364	\$ 25,439	\$ 276,607	\$ 250,189
Current portion of bank loans (note 8)	49,394	-	-	-	49,394	126,667
Designated funds payable (note 9)	126,433	-	188,101	7,924	322,458	199,156
Loans payable (notes 10 and 15)	1,714,294	-	-	-	1,714,294	1,753,347
Intercompany loans from District (note 11)	(3,262,562)	1,779,861	1,198,393	284,308	-	-
Current portion of long-term debt (note 12)	-	50,000	54,094	21,627	125,721	121,490
	(1,168,806)	1,835,030	1,482,952	339,298	2,488,474	2,450,849
Bank loans (note 8)	1,429,338	-	-	-	1,429,338	1,477,618
Long-term debt (note 12)	-	1,245,000	727,708	372,618	2,345,326	2,472,495
	260,532	3,080,030	2,210,660	711,916	6,263,138	6,400,962
Net assets						
Invested in property and equipment (note 13)	373,207	-	476,667	-	849,874	787,980
Unrestricted	432,771	(1,690,916)	(80,172)	(418,980)	(1,757,297)	(2,236,343)
	805,978	(1,690,916)	396,495	(418,980)	(907,423)	(1,448,363)
	\$ 1,066,510	\$ 1,389,114	\$ 2,607,155	\$ 292,936	\$ 5,355,715	\$ 4,952,599

See accompanying notes

On behalf of the Board:

Director

Director

Rev. Craig J. Burton

Rev. Ron Hughes

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Consolidated Statement of Activities
Year ended December 31

	2010				2009	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
Revenue						
Tithes						
Churches	\$ 2,205,641	\$ -	\$ -	\$ -	\$ 2,205,641	\$ 2,075,819
Credential holders	356,370	-	-	-	356,370	261,332
Sales and rentals	-	-	728,557	219,086	947,643	951,610
Donations and offerings	48,393	-	460,464	125,921	634,778	535,193
Ministries registration and offerings	330,994	-	-	-	330,994	310,429
Registration fees	2,674	-	145,260	81,167	229,101	215,172
Chaplaincy government contracts	112,546	-	-	-	112,546	149,494
Other	2,457	-	-	4,054	6,511	5,702
Interest	32,994	-	1,335	-	34,329	9,862
Rent	-	18,400	-	-	18,400	16,153
Conferences and conventions	4,323	-	-	-	4,323	55,433
	3,096,392	18,400	1,335,616	430,228	4,880,636	4,586,199
Expenditures						
Salaries and benefits	863,449	-	260,989	112,772	1,237,210	1,233,165
Camp operations	-	-	352,905	116,603	469,508	444,120
Building and property	19,793	32,412	288,854	86,793	427,852	490,864
Church ministries	334,876	-	-	-	334,876	301,175
Administration and office	202,420	6,009	79,728	34,809	322,966	351,562
Subsidies and donations	302,904	-	-	-	302,904	255,518
Bible colleges	264,318	-	-	-	264,318	239,062
National Office tithes	223,109	-	-	-	223,109	207,713
Interest and bank charges	153,139	-	21,033	7,555	181,727	189,933
Interest on long-term debt	-	57,395	41,777	21,109	120,281	193,149
Chaplain salaries	90,274	-	-	-	90,274	134,802
Pastoral and church care	79,091	-	-	-	79,091	114,374
Designated funds	-	-	51,239	12,655	63,894	67,228
Other	19,733	-	-	-	19,733	59,007
Conferences and conventions	18,810	-	-	-	18,810	4,875
District conference	3,291	-	-	-	3,291	101,316
	2,575,207	95,816	1,096,525	392,296	4,159,844	4,387,863
Excess (deficiency) of revenue over expenditures from operations	521,185	(77,416)	239,091	37,932	720,792	198,336
Amortization of property and equipment	(19,184)	(28,351)	(113,790)	(18,527)	(179,852)	(182,023)
Net subsidies (note 14)	(127,212)	60,000	12,519	54,693	-	-
	(146,396)	31,649	(101,271)	36,166	(179,852)	(182,023)
Excess (deficiency) of revenue over expenditures	\$ 374,789	\$ (45,767)	\$ 137,820	\$ 74,098	\$ 540,940	\$ 16,313

See accompanying notes

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Consolidated Statement of Changes in Net Assets Year ended December 31

	2010			2009
	Invested in Property and Equipment (note 13)	Unrestricted	Total	Total
(a) General District				
Net assets, beginning of year	\$ 387,001	\$ 44,188	\$ 431,189	\$ 340,867
Excess (deficiency) of revenue over expenditures	(19,184)	393,973	374,789	90,322
Invested in property and equipment				
Purchase of property and equipment	5,390	(5,390)	-	-
Net assets, end of year	373,207	432,771	805,978	431,189
(b) Heritage Holdings				
Net assets, beginning of year	54,623	(1,699,772)	(1,645,149)	(1,486,288)
Deficiency of revenue over expenditures	(28,351)	(17,416)	(45,767)	(158,861)
Invested in property and equipment				
Purchase of property and equipment	10,342	(10,342)	-	-
Repayment of long-term debt	50,000	(50,000)	-	-
Change in applicable portion of loan from District	(86,614)	86,614	-	-
Net assets, end of year	-	(1,690,916)	(1,690,916)	(1,645,149)
(c) Lakeshore Pentecostal Camp				
Net assets, beginning of year	346,356	(87,681)	258,675	183,908
Excess (deficiency) of revenue over expenditures	(113,790)	251,610	137,820	74,767
Invested in property and equipment				
Purchase of property and equipment	192,125	(192,125)	-	-
Repayment of loan from District	19	(19)	-	-
Repayment of long-term debt	51,957	(51,957)	-	-
Net assets, end of year	476,667	(80,172)	396,495	258,675
(d) Ottawa Valley Pentecostal Camp				
Net assets, beginning of year	-	(493,078)	(493,078)	(503,163)
Excess (deficiency) of revenue over expenditures	(18,527)	92,625	74,098	10,085
Invested in property and equipment				
Purchase of property and equipment	11,875	(11,875)	-	-
Repayment of loan from District	16,001	(16,001)	-	-
Repayment of long-term debt	20,981	(20,981)	-	-
Change in non-applicable portion of loan from District	(30,330)	30,330	-	-
Net assets, end of year	-	(418,980)	(418,980)	(493,078)
Consolidated net assets, end of year	\$ 849,874	\$ (1,757,297)	\$ (907,423)	\$ (1,448,363)

See accompanying notes

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**

**Consolidated Statement of Cash Flows
Year ended December 31**

	2010	2009
Operating activities		
Excess of revenue over expenditures	\$ 540,940	\$ 16,313
Add item not involving cash		
Amortization of property and equipment	179,852	182,023
	<u>720,792</u>	<u>198,336</u>
Net change in non-cash working capital items		
Accounts receivable	50,717	(34,228)
Inventory	(5,149)	(7,560)
Prepaid expenses and deposits	(6,958)	(119)
Accounts payable and accrued liabilities	26,418	(115,418)
Designated funds payable	123,302	122,155
Cottage deposits	-	(10,000)
	<u>188,330</u>	<u>(45,170)</u>
Cash flows from operating activities	<u>909,122</u>	<u>153,166</u>
Financing activities		
Proceeds of loans payable	204,924	275,423
Repayment of loans payable	(243,977)	(183,557)
Repayment of bank loans	(125,553)	(43,007)
Repayment of long-term debt	(122,938)	(691,833)
Cash flows from financing activities	<u>(287,544)</u>	<u>(642,974)</u>
Investing activities		
Net change in loans receivable	29,527	813
Purchase of property and equipment	(219,732)	(96,781)
Proceeds on sale of property	-	604,000
Cash flows from investing activities	<u>(190,205)</u>	<u>508,032</u>
Net change in cash during the year	431,373	18,224
Cash, beginning of year	157,655	139,431
Cash, end of year	<u>\$ 589,028</u>	<u>\$ 157,655</u>
Cash consists of:		
Cash	\$ 189,028	\$ 157,655
Restricted cash	400,000	-
	<u>\$ 589,028</u>	<u>\$ 157,655</u>

See accompanying notes

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2010

1. Purpose of the organization

The purpose of the Eastern Ontario District of The Pentecostal Assemblies of Canada (the "District") is to promulgate the gospel of Jesus Christ, establish new congregations and provide leadership and support to those churches in the District which are associated with The Pentecostal Assemblies of Canada (the "PAOC"). The District was established by Letters Patent on May 17, 1919, and derives its jurisdiction and authority from the General Conference of The Pentecostal Assemblies of Canada. The District is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

2. Working capital deficiency

As at December 31, 2010, the District's current liabilities exceed its current assets by \$1,541,610 (2009 - \$1,867,221) and the District has a net asset deficiency of \$907,423 (2009 - \$1,448,363). The working capital position of the District has improved since last year. The District's ability to continue to improve its financial position is dependent on the support of its member churches, the PAOC, the District's lenders, and a continued surplus position in its operations.

3. Summary of significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

Basis of consolidation

The consolidated financial statements include the accounts of the Eastern Ontario District of The Pentecostal Assemblies of Canada, Eastern Ontario Heritage Holdings (Non-Profit) ("Heritage Holdings"), Lakeshore Pentecostal Camp, and Ottawa Valley Pentecostal Camp.

Heritage Holdings was incorporated without share capital as a not-for-profit organization. The main purpose of the organization is to advance the work of the PAOC by holding land for the District office and a religious retreat centre. The organization is controlled by the District due to common board members.

The camps are registered charities under the Income Tax Act (Canada) and are exempt from income taxes. The camps have specific purposes consistent with the purposes of, and with ultimate accountability to, the District.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

Fund accounting

The District follows the principals of fund accounting, under which resources for particular purposes are classified for accounting and reporting into funds corresponding to those purposes.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2010

3. Summary of significant accounting policies - continued

General District

The General District fund consists of assets, liabilities, revenue and expenditures related to the operation of the District which are not included in other funds.

Heritage Holdings

The Heritage Holdings fund consists of the Heritage property and related debt and includes the revenue and expenditures related to this property.

Lakeshore Pentecostal Camp

The Lakeshore Pentecostal Camp fund reports the assets, liabilities, revenue and expenditures of the Lakeshore Pentecostal Camp located in Cobourg, Ontario.

Ottawa Valley Pentecostal Camp

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

Inventory

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

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is recorded on the property and equipment on a declining balance basis as follows, except for the Lakeshore Pentecostal Camp buildings which are amortized over 40 years on a straight-line basis:

Buildings	4%
Equipment	10% - 20%
Computers	30%
Site improvements	10% - 20%
Drainage	10%
Vehicles	30%
Signs	20%

Revenue recognition

The District follows the deferral method of accounting for restricted tithes, donations and offerings. Restricted tithes, donations and offerings are recognized as revenue in the year in which the related expenditures are incurred. To the extent that revenue has not been recognized, it has been reflected as designated funds payable. Unrestricted tithes, donations and offerings are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Sales and rentals, registration fees, chaplaincy government contracts and conference revenue are recognized as the services are provided.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2010

3. Summary of significant accounting policies - continued

Volunteer services

The District receives volunteer services, the value of which cannot be reasonably estimated. Therefore, no provision for these amounts is reflected in the consolidated financial statements.

Future accounting standards changes

The Accounting Standards Board has issued the new accounting standards for not-for-profit organizations for fiscal years beginning on or after January 1, 2012, with earlier adoption permitted. The District does not anticipate that the new standards will have a significant impact on the financial statements.

4. Objectives, policies and processes for managing capital

The District's capital comprises the net amounts invested in property and equipment and unrestricted funds of four entities: the Eastern Ontario District of The Pentecostal Assemblies of Canada, Eastern Ontario Heritage Holdings (Non-Profit), Lakeshore Pentecostal Camp, and Ottawa Valley Pentecostal Camp.

The District invests in property and equipment to provide for carrying out its purposes. Each of the camps have campgrounds on which to provide programs for children, youth, and adults to strengthen Christian fellowship, share the Gospel, and to minister to people with special challenges in life.

Funds are externally restricted when either of the General or the District Conferences passes a resolution which requires a financial commitment (e.g. 10% of church tithes received by the District to be sent to support the International Office of the PAOC) or donors subscribe to a cause presented to them by the District or its camps. All such funds are used for their restricted expenditure at the earliest possible time.

Funds are internally restricted when the District Executive, by resolution, determines expenditure or a policy guiding ongoing expenditure. Examples of such resolutions include the decision made to send 10% of church tithes to the regional ministry training college at Master's College and Seminary, and the decision made to provide a percentage of church tithes (by region) to each of the camps. Budgetary restrictions occur when the annual budgets are approved by the District Executive, individually and in consolidation. From 2008 and onwards, debt reduction has been a budgetary priority in order to reduce limitations on ministry expenditures.

Heritage Holdings has a budget based on anticipated costs of holding property (taxes and maintenance) and on rental income.

The camps each have a leadership structure appointed by the District Executive consisting of a Camp Director, a Camp Manager, and a Camp Committee. The Camp Committees develop proposed budgets each year consistent with the camps' purposes and submit them to the District Officers for inclusion in the consolidated budget.

The approved budgets are returned to each of the governing boards of the respective entities to apply and monitor. The District Officers oversee and ensure compliance with budgetary guidelines on a daily basis. The District Executive regularly reviews financial reports for oversight purposes.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2010

5. Financial instruments

The Canadian Institute of Chartered Accountants provides a temporary choice for financial instruments disclosure and presentation, and the District has chosen to continue to apply Financial Instruments - Disclosure and Presentation, Section 3861 in place of Financial Instruments - Disclosure, Section 3862 and Financial Instruments - Presentation, Section 3863.

The District's financial instruments consist of cash, restricted cash, accounts receivable, prepaid deposits, loans receivable, accounts payable, bank loans, loans payable and long-term debt.

Measurement

The carrying values of the District's cash, restricted cash, accounts receivable, prepaid deposits, and accounts payable approximate fair values due to their short-term maturities.

Loans receivable are demand loans and are, therefore, recorded at cost as their fair value and amortized cost are not determinable.

Bank loans, loans payable and long-term debt are recorded at amortized cost using the effective interest rate method.

Interest rate risk

The District is exposed to interest rate price risk with respect to its loans receivable, bank loans, loans payable and long-term debt.

Credit risk

Credit risk arises from the potential that churches and members will fail to honour their obligations. The District is exposed to credit risk through accounts receivable and loans receivable. The District performs ongoing evaluations of its churches' and members' financial condition and limits the amount of credit extended when considered necessary.

6. Loans receivable

	2010	2009
Church planting demand loans at various interest rates to a maximum of 5%, secured by various properties	\$ 151,788	\$ 142,136
Other general demand loans at prime rate, secured by property	-	38,963
Accrued interest on loans receivable	5,194	5,410
	<u>\$ 156,982</u>	<u>\$ 186,509</u>

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**

Notes to Consolidated Financial Statements
Year ended December 31, 2010

7. Property and equipment

	2010			2009
	Cost	Accumulated Amortization	Net	Net
General District				
Land held for Church planting	\$ 244,914	\$ -	\$ 244,914	\$ 244,914
Buildings	147,696	67,329	80,367	82,580
Equipment	224,405	198,902	25,503	30,176
Computers	76,925	54,502	22,423	29,331
	693,940	320,733	373,207	387,001
Heritage Holdings				
Land	696,000	-	696,000	696,000
Buildings	810,342	329,577	480,765	490,239
Site improvements	498,232	293,383	204,849	213,384
	2,004,574	622,960	1,381,614	1,399,623
Lakeshore Pentecostal Camp				
Land	125,050	-	125,050	125,050
Buildings	3,196,472	1,134,552	2,061,920	1,952,531
Equipment	572,077	468,111	103,966	122,078
Site improvements	358,868	264,501	94,367	99,115
Drainage	163,297	102,235	61,062	67,847
Vehicles	160,360	153,758	6,602	7,003
Signs	23,011	19,116	3,895	4,903
	4,599,135	2,142,273	2,456,862	2,378,527
Ottawa Valley Pentecostal Camp				
Land	36,587	-	36,587	36,587
Buildings	694,292	591,887	102,405	105,150
Site improvements	218,372	183,131	35,241	34,232
Equipment	173,614	157,360	16,254	20,318
Vehicles	54,936	48,255	6,681	7,533
	1,177,801	980,633	197,168	203,820
	\$ 8,475,450	\$ 4,066,599	\$ 4,408,851	\$ 4,368,971

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**

Notes to Consolidated Financial Statements
Year ended December 31, 2010

8. Bank loans

	2010	2009
District loan, secured by the land located at the Lakeshore and Ottawa Valley Pentecostal Camps, payable in monthly blended principal and interest payments of \$11,014, bearing interest at 5.76%, due December 22, 2013	\$ 1,478,732	\$ 1,524,285
Lakeshore Pentecostal Camp demand loan, unsecured, bearing interest payable monthly at the bank prime rate plus 3.75%	-	40,000
	<u>1,478,732</u>	<u>1,564,285</u>
Bank indebtedness General District	-	40,000
	<u>1,478,732</u>	<u>1,604,285</u>
Less: current portion	49,394	126,667
	<u>\$ 1,429,338</u>	<u>\$ 1,477,618</u>

Interest expensed for the year amounted to \$86,800 (2009 - \$91,427). Any bank indebtedness would be repayable on demand and bear interest at the bank prime rate plus 3.75%. No such indebtedness was incurred during the year. The maximum available overdraft credit is \$200,000 (2009 - \$200,000).

Future minimum principal payments on bank loans are as follows:

2011	\$ 49,394
2012	52,280
2013	55,335
2014	58,568
2015	61,990
Thereafter	1,201,165
	<u>\$ 1,478,732</u>

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**

Notes to Consolidated Financial Statements
Year ended December 31, 2010

9. Designated funds payable

The activity for the designated funds is as follows:

	January 1, 2010 Opening Balance	Increases	Decreases	December 31, 2010 Closing Balance
General District				
Women's Ministries L.I.F.E. Funds	\$ 36,553	\$ 79,632	\$ -	\$ 116,185
Other ministries	6,587	10,935	7,274	10,248
Calvary Temple	-	26,250	26,250	-
Master's College and Seminary	-	7,690	7,690	-
Native New Life Training Centre	-	7,359	7,359	-
ECHO Fund	-	1,308	1,308	-
	43,140	133,174	49,881	126,433
Lakeshore Pentecostal Camp				
Environmental assessment	82,387	90,600	832	172,155
Pool fund	8,350	-	-	8,350
Other ministries	-	9,027	4,540	4,487
Future projects	64,453	83,674	145,028	3,099
Missions	826	39,184	40,000	10
Women's ministries	-	5,661	5,661	-
Camp sponsorship	-	454	454	-
	156,016	228,600	196,515	188,101
Ottawa Valley Pentecostal Camp				
Missions	-	10,000	10,000	-
Other ministries	-	10,579	2,655	7,924
	-	20,579	12,655	7,924
	\$ 199,156	\$ 382,353	\$ 259,051	\$ 322,458

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**

Notes to Consolidated Financial Statements
Year ended December 31, 2010

10. Loans payable

	2010	2009
Loans from individuals, unsecured, bearing interest rates to a maximum of 4%, redeemable on demand	\$ 890,503	\$ 990,425
Loans from churches and related organizations, unsecured, bearing interest rates to a maximum of 4.35%, redeemable on demand	823,791	762,922
	<u>\$ 1,714,294</u>	<u>\$ 1,753,347</u>

Interest expensed for the year amounted to \$62,393 (2009 - \$60,632).

11. Intercompany loans from District

The intercompany loans are unsecured, bearing interest at 5% with no formal terms for principal repayment. Interest was charged to the two camp funds in the amount of \$75,090 (2009 - \$74,285) and is reflected in the net subsidies in the statement of activities (note 14).

12. Long-term debt

	2010	2009
Heritage Holdings		
Mortgage payable, secured by property, bearing interest at 4.70%, repayable in annual principal payments of \$50,000, payable semi-annually, with interest payments, on June 1 and December 1, due December 1, 2012.	\$ 1,295,000	\$ 1,345,000
Lakeshore Pentecostal Camp		
Mortgage on Lakeshore Pentecostal Camp property, bearing interest at 4.8%, repayable in monthly blended principal and interest payments of \$7,538, due February, 2013 but renewable for four further terms of three years.	781,802	833,759
Ottawa Valley Pentecostal Camp		
Mortgage on Ottawa Valley Pentecostal Camp property, bearing interest at 4.8%, repayable in monthly blended principal and interest payments of \$3,394, due February, 2013 but renewable for five further terms of three years.	394,245	415,226
	<u>2,471,047</u>	<u>2,593,985</u>
Less: current portion	<u>125,721</u>	<u>121,490</u>
	<u>\$ 2,345,326</u>	<u>\$ 2,472,495</u>

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2010

12. Long-term debt - continued

Interest expensed on long-term debt during the year amounted to \$120,281 (2009 - \$193,149).

The Heritage Holdings mortgage is payable to the Pentecostal Financial Services Group Inc. ("PFSG"), a wholly-owned subsidiary of the PAOC, to be forwarded to a group of private investors.

The camp mortgages are payable to The Pension Fund (1969) of The Pentecostal Assemblies of Canada (the "Pension Fund") and are secured by a first mortgage registered to the Pension Fund and an assignment of insurance proceeds.

It is management's intention to renew these mortgages as they come due. Future minimum principal payments are expected to be as follows:

2011	\$ 125,721
2012	1,324,522
2013	80,000
2014	82,000
2015	84,000
Thereafter	774,804
	\$ 2,471,047

13. Invested in property and equipment

Invested in property and equipment consists of property and equipment less related debt secured by property as follows:

	2010				2009	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
Property and equipment	\$ 373,207	\$ 1,381,614	\$ 2,456,862	\$ 197,168	\$ 4,408,851	\$ 4,368,971
Less:						
Applicable portion of loans from District	-	(86,614)	(1,198,393)	-	(1,285,007)	(1,498,721)
Long-term debt	-	(1,295,000)	(781,802)	(394,245)	(2,471,047)	(2,178,759)
Non-applicable portion of loans	-	-	-	197,077	197,077	96,489
	\$ 373,207	\$ -	\$ 476,667	\$ -	\$ 849,874	\$ 787,980

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**

Notes to Consolidated Financial Statements
Year ended December 31, 2010

14. Net subsidies

Net subsidies include the following transactions:

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Subsidies	\$ (142,302)	\$ -	\$ 72,742	\$ 69,560	\$ -
Interest (note 11)	75,090	-	(60,223)	(14,867)	-
Rent	(60,000)	60,000	-	-	-
	<u>\$ (127,212)</u>	<u>\$ 60,000</u>	<u>\$ 12,519</u>	<u>\$ 54,693</u>	<u>\$ -</u>

Subsidies from the General District fund to the camp funds represent a portion of the tithes collected by the General District which have been allocated to the camps on a predetermined proportionate basis.

Interest charged by the General District to the camps is on account of the intercompany loans (note 11).

Rent charged by Heritage Holdings to the General District is for the use of premises.

15. Related party transactions

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

During the year, the District held a loan for an employee, payable on demand bearing interest at 4.5% which was payable on a monthly basis. The loan receivable from the employee at December 31, 2010 is \$Nil (2009 - \$38,963).

16. Commitments

The District has contracted to lease various office equipment until 2013. The minimum rental cost for the next three years is as follows:

2011	\$ 18,000
2012	18,000
2013	9,000

The District is required to repay \$400,000 in loans payable to an individual in 2011.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2010

17. Contingent liabilities

Guarantees

The District has a letter of guarantee outstanding in the amount of \$13,650 (2009 - \$15,900). The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$2,881,500 (2009 - \$2,937,331), as well as the mortgage payable by the Lakeshore Pentecostal Camp in the amount of \$781,802 (2009 - \$833,759) and the Ottawa Valley Pentecostal Camp in the amount of \$394,245 (2009 - \$415,226). These loans are secured by the properties of the churches and camps. The District estimates that the value of these properties exceeds the amounts guaranteed.

The District is the joint guarantor, along with other participating districts, of loans made by investors to Master's College and Seminary. The District's responsibility as at December 31, 2010 is \$733,000. These loans are unsecured.

During the year, the District, along with Master's College and Seminary and another participating district, co-signed a lease for the 780 Argyle property in Peterborough which was previously owned by Master's College and Seminary. The District's responsibility for the annual lease commitment paid by Master's College and Seminary is \$297,500, with the term expiring on July 31, 2013.

Environmental assessment

Lakeshore Pentecostal Camp is cooperating with the Ontario Ministry of the Environment with respect to an environmental assessment relating to the septic system and shorelines. The camp's water treatment system is being upgraded with costs being covered by designated funds. An analysis of the sewage system is also underway. Upgrades to septic systems may be required for camp facilities, private cottages and recreational vehicles; however, an order requiring work to be done has not yet been issued. The cost of possible work to be done is not determinable at this time, and there is no provision in the accounts for possible costs.

18. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2010 financial statements.