



## Consolidated Financial Statements

Eastern Ontario District of the Pentecostal  
Assemblies of Canada

December 31, 2011

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL  
ASSEMBLIES OF CANADA**  
2011 Consolidated Financial Statements

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## **Independent Auditor's Report**

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

Grant Thornton LLP  
Suite 200  
41 Valleybrook Drive  
Toronto, ON  
M3B 2S6  
T +1 416 449 9171  
F +1 416 449 7401  
E NorthToronto@ca.gt.com  
www.GrantThornton.ca

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, 2011, 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 consolidated 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, 2011, and the consolidated 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 11, 2012

# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

## Consolidated Statement of Financial Position As at December 31

	2011				2010	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
<b>ASSETS</b>						
Current assets						
Cash	\$ 165,956	\$ -	\$ -	\$ 50,351	\$ 216,307	\$ 189,028
Restricted cash	157,838	-	248,212	5,593	411,643	400,000
Accounts receivable	22,593	7,500	92,257	27,103	149,453	108,439
Inventory	1,000	-	5,907	7,278	14,185	17,499
Prepaid expenses and deposits	47,756	-	16,032	21,176	84,964	74,916
Loans receivable (note 6)	140,589	-	-	-	140,589	156,982
	535,732	7,500	362,408	111,501	1,017,141	946,864
Certificate loan receivable (note 7)	-	-	25,000	-	25,000	-
Property and equipment (note 8)	323,490	1,386,071	2,554,626	246,248	4,510,435	4,408,851
	\$ 859,222	\$ 1,393,571	\$ 2,942,034	\$ 357,749	\$ 5,552,576	\$ 5,355,715
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities						
Accounts payable and accrued liabilities	\$ 209,656	\$ 4,808	\$ 21,531	\$ 25,136	\$ 261,131	\$ 276,607
Current portion of bank loan (note 9)	60,480	-	-	-	60,480	49,394
Designated funds payable (note 10)	157,838	-	248,212	5,593	411,643	322,458
Loans payable (note 11)	1,511,486	-	-	-	1,511,486	1,714,294
Intercompany loans from District (note 12)	(3,512,295)	1,892,062	1,345,925	274,308	-	-
Current portion of long-term debt (note 13)	-	70,000	56,748	23,355	150,103	125,721
Renewable portion of long-term debt (note 13)	-	1,155,000	-	-	1,155,000	-
	(1,572,835)	3,121,870	1,672,416	328,392	3,549,843	2,488,474
Bank loan (note 9)	1,226,315	-	-	-	1,226,315	1,429,338
Long-term debt (note 13)	-	-	670,562	348,378	1,018,940	2,345,326
	(346,520)	3,121,870	2,342,978	676,770	5,795,098	6,263,138
Net assets						
Invested in property and equipment (note 14)	323,490	-	481,391	-	804,881	849,874
Unrestricted	882,252	(1,728,299)	92,235	(319,021)	(1,072,833)	(1,757,297)
Endowment fund (note 7)	-	-	25,430	-	25,430	-
	1,205,742	(1,728,299)	599,056	(319,021)	(242,522)	(907,423)
	\$ 859,222	\$ 1,393,571	\$ 2,942,034	\$ 357,749	\$ 5,552,576	\$ 5,355,715

See accompanying notes

On behalf of the Board:

Director

  
Rev. Craig J. Burton

Director

  
Rev. Terry Pitt

# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Consolidated Statement of Activities  
Year ended December 31

	2011				2010	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
<b>Revenue</b>						
Tithes						
Churches	\$ 2,173,379	\$ -	\$ -	\$ -	\$ 2,173,379	\$ 2,205,641
Credential holders	398,123	-	-	-	398,123	356,370
Sales and rentals	-	-	747,280	237,261	984,541	947,643
Donations and offerings	57,006	-	454,638	118,791	630,435	634,778
Ministries registration and offerings	254,138	-	-	-	254,138	330,994
Registration fees	1,805	-	136,417	75,293	213,515	229,101
Chaplaincy government contracts	85,494	-	-	-	85,494	112,546
Conferences and conventions	45,543	-	-	-	45,543	4,323
Interest	32,834	-	3,279	223	36,336	34,329
Rent	-	18,400	-	-	18,400	18,400
Other	5,523	-	-	-	5,523	6,511
	3,053,845	18,400	1,341,614	431,568	4,845,427	4,880,636
<b>Expenditures</b>						
Salaries and benefits	852,654	-	264,477	103,073	1,220,204	1,237,210
Building and property	22,745	25,603	276,616	81,189	406,153	427,852
Camp operations	-	-	288,855	113,448	402,303	469,508
Administration and office	208,008	1,600	81,998	31,596	323,202	322,966
Subsidies and donations	303,644	-	-	-	303,644	302,904
Bible colleges	263,488	-	-	-	263,488	264,318
Church ministries	234,449	-	-	-	234,449	334,876
National Office tithes	220,378	-	-	-	220,378	223,109
Interest and bank charges	143,323	-	21,514	7,371	172,208	181,727
Interest on long-term debt	-	60,505	35,966	18,217	114,688	120,281
District conference	95,801	-	-	-	95,801	3,291
Designated funds	-	-	78,244	12,148	90,392	63,894
Pastoral and church care	75,470	-	-	-	75,470	79,091
Chaplain salaries	71,162	-	-	-	71,162	90,274
Conferences and conventions	16,711	-	-	-	16,711	18,810
Other	8,964	-	-	-	8,964	19,733
	2,516,797	87,708	1,047,670	367,042	4,019,217	4,159,844
<b>Excess (deficiency) of revenue over expenditures from operations</b>	537,048	(69,308)	293,944	64,526	826,210	720,792
Amortization of property and equipment	(17,832)	(28,075)	(120,946)	(19,886)	(186,739)	(179,852)
Net subsidies (note 15)	(119,452)	60,000	4,133	55,319	-	-
	(137,284)	31,925	(116,813)	35,433	(186,739)	(179,852)
<b>Excess (deficiency) of revenue over expenditures</b>	\$ 399,764	\$ (37,383)	\$ 177,131	\$ 99,959	\$ 639,471	\$ 540,940

See accompanying notes

# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

## Consolidated Statement of Changes in Net Assets Year ended December 31

	2011			2010	
	Invested in Property and Equipment (note 14)	Unrestricted	Endowment Fund	Total	Total
<b>(a) General District</b>					
Net assets, beginning of year	\$ 373,207	\$ 432,771	\$ -	\$ 805,978	\$ 431,189
Excess (deficiency) of revenue over expenditures	(44,012)	443,776	-	399,764	374,789
Invested in property and equipment					
Purchase of property and equipment	22,295	(22,295)	-	-	-
Proceeds on sale of property	(28,000)	28,000	-	-	-
Net assets, end of year	323,490	882,252		1,205,742	805,978
<b>(b) Heritage Holdings</b>					
Net assets, beginning of year	-	(1,690,916)	-	(1,690,916)	(1,645,149)
Deficiency of revenue over expenditures	(28,075)	(9,308)	-	(37,383)	(45,767)
Invested in property and equipment					
Purchase of property and equipment	32,533	(32,533)	-	-	-
Repayment of long-term debt	70,000	(70,000)	-	-	-
Change in application portion of loan from District	(74,458)	74,458	-	-	-
Net assets, end of year	-	(1,728,299)	-	(1,728,299)	(1,690,916)
<b>(c) Lakeshore Pentecostal Camp</b>					
Net assets, beginning of year	476,667	(80,172)	-	396,495	258,675
Excess (deficiency) of revenue over expenditures	(120,946)	298,077	-	177,131	137,820
Endowment contribution (note 7)	-	-	25,430	25,430	-
Invested in property and equipment					
Purchase of property and equipment	218,710	(218,710)	-	-	-
Change in application portion of loan from District	(147,532)	147,532	-	-	-
Repayment of long-term debt	54,492	(54,492)	-	-	-
Net assets, end of year	481,391	92,235	25,430	599,056	396,495
<b>(d) Ottawa Valley Pentecostal Camp</b>					
Net assets, beginning of year	-	(418,980)	-	(418,980)	(493,078)
Excess (deficiency) of revenue over expenditures	(19,886)	119,845	-	99,959	74,098
Invested in property and equipment					
Purchase of property and equipment	68,965	(68,965)	-	-	-
Repayment of loan from District	10,000	(10,000)	-	-	-
Repayment of long-term debt	22,512	(22,512)	-	-	-
Change in non-applicable portion of loan from District	(81,591)	81,591	-	-	-
Net assets, end of year	-	(319,021)	-	(319,021)	(418,980)
Consolidated net assets, end of year	\$ 804,881	\$ (1,072,833)	\$ 25,430	\$ (242,522)	\$ (907,423)

See accompanying notes

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

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

	<b>2011</b>	<b>2010</b>
Operating activities		
Excess of revenue over expenditures	\$ 639,471	\$ 540,940
Endowment contribution (note 7)	25,430	-
Add item not involving cash		
Amortization of property and equipment	186,739	179,852
	<hr/> 851,640	<hr/> 720,792
Net change in non-cash working capital items		
Accounts receivable	(41,014)	50,717
Inventory	3,314	(5,149)
Prepaid expenses and deposits	(10,048)	(6,958)
Accounts payable and accrued liabilities	(15,476)	26,418
Designated funds payable	89,185	123,302
	<hr/> 25,961	<hr/> 188,330
<b>Cash flows from operating activities</b>	<hr/> <b>877,601</b>	<hr/> <b>909,122</b>
Financing activities		
Proceeds of loans payable	327,688	204,924
Repayment of loans payable	(530,496)	(243,977)
Repayment of bank loan	(191,937)	(125,553)
Repayment of long-term debt	(147,004)	(122,938)
	<hr/> (541,749)	<hr/> (287,544)
Investing activities		
Net change in loans receivable	16,393	29,527
Purchase of certificate loan (note 7)	(25,000)	-
Purchase of property and equipment	(316,323)	(219,732)
Proceeds on sale of property	28,000	-
	<hr/> (296,930)	<hr/> (190,205)
<b>Net change in cash during the year</b>	<hr/> <b>38,922</b>	<hr/> <b>431,373</b>
<b>Cash, beginning of year</b>	<hr/> <b>589,028</b>	<hr/> <b>157,655</b>
<b>Cash, end of year</b>	<hr/> <b>\$ 627,950</b>	<hr/> <b>\$ 589,028</b>
Cash consists of:		
Cash	\$ 216,307	\$ 189,028
Restricted cash	411,643	400,000
	<hr/> <b>\$ 627,950</b>	<hr/> <b>\$ 589,028</b>

**See accompanying notes**



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

**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2011**

## **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 is an Ontario not-for-profit corporation established 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, 2011, the District's current liabilities (excluding the renewable portion of the long-term debt of \$1,155,000) exceed its current assets by \$1,377,702 (2010 - \$1,541,610) and the District has a net asset deficiency of \$242,522 (2010 - \$907,423). The net working capital position of the District (excluding the renewable portion of the long-term debt which management expects to renew in 2012) 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 principles of fund accounting, under which resources for particular purposes are classified for accounting and reporting into funds corresponding to those purposes.

### General District

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

# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

## 3. Summary of significant accounting policies - continued

### 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 donations and offerings. Restricted donations and offerings are recognized as revenue in the year in which the related expenditures are incurred. To the extent that revenue has not been recognized, it has been reflected as designated funds payable. Tithes and unrestricted 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. Endowment contributions are recognized in the Endowment Fund when received.

### 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.

# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

## 3. Summary of significant accounting policies - continued

### Future accounting standards changes

The Accounting Standards Board has issued new accounting standards for not-for-profit organizations for fiscal years beginning on or after January 1, 2012. The impact of the new standards on the consolidated financial statements has not yet been determined.

## 4. Objectives, policies and processes for managing capital

The District's capital comprises the endowment fund in Lakeshore Pentecostal Camp (note 7), and 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 specific amounts 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 Administrative Director, 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, which is approved by the District Executive.

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, 2011

## 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, certificate loan receivable, accounts payable, bank loan, 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 recorded at cost as their fair value and amortized cost are not determinable.

The certificate loan receivable, bank loan, 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, certificate loan receivable, bank loan, 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

	2011	2010
Church planting demand loans at various interest rates to a maximum of 5%, secured by various properties	\$ 134,766	\$ 151,788
Accrued interest on loans receivable	5,823	5,194
	\$ 140,589	\$ 156,982

## 7. Certificate loan receivable

During the year, Lakeshore Pentecostal Camp received an endowment contribution of \$25,430, \$25,000 of which was used to purchase a certificate loan held by the Pentecostal Financial Services Group (PFSG), a wholly-owned subsidiary of the PAOC. The certificate loan receivable earns interest at a rate of 3.3% and matures on November 15, 2016. Income earned on the endowment investment is to be used to subsidize camp registration fees for children and youth.

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

**8. Property and equipment**

	2011			2010
	Cost	Accumulated Amortization	Net	Net
General District				
Land held for Church planting	\$ 190,734	\$ -	\$ 190,734	\$ 244,914
Buildings	151,051	70,611	80,440	80,367
Computers	93,556	63,720	29,836	22,423
Equipment	226,713	204,233	22,480	25,503
	662,054	338,564	323,490	373,207
Heritage Holdings				
Land	696,000	-	696,000	696,000
Buildings	810,342	348,809	461,533	480,765
Site improvements	530,766	302,228	228,538	204,849
	2,037,108	651,037	1,386,071	1,381,614
Lakeshore Pentecostal Camp				
Land	125,050	-	125,050	125,050
Buildings	3,344,717	1,215,250	2,129,467	2,061,920
Equipment	642,541	490,076	152,465	103,966
Site improvements	358,868	273,939	84,929	94,367
Drainage	163,297	108,341	54,956	61,062
Vehicles	160,360	155,739	4,621	6,602
Signs	23,011	19,873	3,138	3,895
	4,817,844	2,263,218	2,554,626	2,456,862
Ottawa Valley Pentecostal Camp				
Land	36,587	-	36,587	36,587
Buildings	736,929	596,836	140,093	102,405
Site improvements	237,937	192,136	45,801	35,241
Equipment	178,829	161,133	17,696	16,254
Vehicles	54,936	50,259	4,677	6,681
Computers	1,549	155	1,394	-
	1,246,767	1,000,519	246,248	197,168
	\$ 8,763,773	\$ 4,253,338	\$ 4,510,435	\$ 4,408,851

The District is registered on the title of certain of the churches in the District. As is customary for churches in the PAOC, the values of these properties are recorded in the books and records of the local churches.

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

**9. Bank loan**

	2011	2010
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	\$ 1,286,795	\$ 1,478,732
Less: current portion	60,480	49,394
	<u>\$ 1,226,315</u>	<u>\$ 1,429,338</u>

During the year, the District made principal payments of \$191,937 (2010 - \$125,553) towards its bank loan. Interest expensed for the year amounted to \$83,223 (2010 - \$88,711).

The District has access to an overdraft credit to a maximum of \$200,000. 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.

Future minimum principal payments on the bank loan are as follows:

2012	\$ 60,480
2013	1,226,315
	<u>\$ 1,286,795</u>

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

**10. Designated funds payable**

The activity for the designated funds is as follows:

	January 1, 2011 Opening Balance	Increases	Decreases	December 31, 2011 Closing Balance
<b>General District</b>				
Women's Ministries L.I.F.E. Funds	\$ 116,185	\$ 33,823	\$ -	\$ 150,008
Other	10,248	4,015	6,433	7,830
Calvary Temple	-	26,250	26,250	-
ECHO Fund	-	4,201	4,201	-
Native New Life Training Centre	-	1,550	1,550	-
	126,433	69,839	38,434	157,838
<b>Lakeshore Pentecostal Camp</b>				
Environmental assessment	172,155	93,502	27,168	238,489
Other	12,837	5,287	9,074	9,050
Camp sponsorship	-	6,775	6,102	673
Future projects	3,099	4,270	7,369	-
Missions	10	47,103	47,113	-
Women's ministries	-	5,205	5,205	-
	188,101	162,142	102,031	248,212
<b>Ottawa Valley Pentecostal Camp</b>				
Missions	-	11,523	11,523	-
Other	7,924	10,559	12,890	5,593
	7,924	22,082	24,413	5,593
	\$ 322,458	\$ 254,063	\$ 164,878	\$ 411,643

**11. Loans payable**

	2011	2010
Loans from churches and related organizations, unsecured, bearing interest rates to a maximum of 4.35%, redeemable on demand	\$ 1,047,905	\$ 823,791
Loans from individuals, unsecured, bearing interest rates to a maximum of 4%, redeemable on demand	463,581	890,503
	\$ 1,511,486	\$ 1,714,294

Interest expensed for the year amounted to \$59,757 (2010 - \$62,393).

# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

## 12. Intercompany loans from District

The intercompany loans are unsecured, bearing interest at 5.76% with no formal terms for principal repayment. Interest was charged to the two camp funds in the amount of \$84,538 (2010 - \$75,090) and is reflected in the net subsidies in the statement of activities (note 15).

## 13. Long-term debt

	2011	2010
Heritage Holdings		
Mortgage payable, secured by property, bearing interest at 4.70%, repayable in annual principal payments of \$70,000, payable semi-annually, with interest payments, on June 1 and December 1, due December 1, 2012.	\$ 1,225,000	\$ 1,295,000
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.	727,310	781,802
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.	371,733	394,245
	2,324,043	2,471,047
Less: current portion and renewable portion	1,305,103	125,721
	<u>\$ 1,018,940</u>	<u>\$ 2,345,326</u>

During the year, \$147,004 (2010 - \$122,938) in long-term debt payments were made. Interest expensed on long-term debt during the year amounted to \$114,688 (2010 - \$120,281).

The Heritage Holdings mortgage is payable to PFSG, 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:

2012	\$ 1,305,103
2013	80,000
2014	82,000
2015	84,000
2016	86,000
Thereafter	686,940
	<u>\$ 2,324,043</u>



# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

## 14. Invested in property and equipment

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

	2011					2010
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
Property and equipment	\$ 323,490	\$ 1,386,071	\$ 2,554,626	\$ 246,248	\$ 4,510,435	\$ 4,408,851
Less:						
Applicable portion of loans from District	-	(161,071)	(1,345,925)	-	(1,506,996)	(1,285,007)
Long-term debt	-	(1,225,000)	(727,310)	(371,733)	(2,324,043)	(2,471,047)
Non-applicable portion of loans	-	-	-	125,485	125,485	197,077
	\$ 323,490	\$ -	\$ 481,391	\$ -	\$ 804,881	\$ 849,874

## 15. Net subsidies

Net subsidies include the following transactions:

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Subsidies	\$ (143,990)	\$ -	\$ 72,741	\$ 71,249	\$ -
Interest (note 12)	84,538	-	(68,608)	(15,930)	-
Rent	(60,000)	60,000	-	-	-
	\$ (119,452)	\$ 60,000	\$ 4,133	\$ 55,319	\$ -

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 basis.

Interest charged by the General District to the camps is on account of the intercompany loans (note 12).

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

## 16. 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.

# EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements  
Year ended December 31, 2011

## 16. Related party transactions - continued

Transactions during the year were as follows. The District paid approximately \$15,000 to the Ottawa Valley Pentecostal Camp for retreats held by the District at the Camp. The District charged interest of 5% on the historical cost of the properties owned by the District and used by each of the Courtice and Hawkesbury Pentecostal Churches. The resulting total amount of \$22,000 was then given back to the churches as a subsidy. During the year, the District sold property to Hawkesbury Pentecostal Church at fair market value for net proceeds of \$28,000. A loss on the sale of \$26,180 was recognized by the District.

## 17. Commitments

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

2012	\$ 19,000
2013	9,000

## 18. Contingent liabilities

### Guarantees

The District has a letter of guarantee outstanding in the amount of \$13,650 (2010 - \$13,650). The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$2,815,285 (2010 - \$2,881,500), as well as the mortgage payable by the Lakeshore Pentecostal Camp in the amount of \$727,310 (2010 - \$781,802) and the Ottawa Valley Pentecostal Camp in the amount of \$371,733 (2010 - \$394,245). 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, 2011 is \$730,000 (2010 - \$733,000). These loans are unsecured.

During 2010, the District, along with Master's College and Seminary and the Western Ontario District of The Pentecostal Assemblies of Canada, co-signed a lease for the 780 Argyle property in Peterborough which was previously owned by Master's College and Seminary. The annual lease commitment paid by Master's College and Seminary is \$640,000, with the term expiring on July 31, 2015.

### 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 full cost of possible work to be done is not yet determinable.

## 19. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2011 financial statements.