



Consolidated Financial Statements

Eastern Ontario District of the Pentecostal
Assemblies of Canada

December 31, 2012 and 2011

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**
2012 and 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**

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We have audited the accompanying consolidated financial statements of the Eastern Ontario District of The Pentecostal Assemblies of Canada, which comprise the consolidated statements of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011 and the consolidated statements of activities, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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, 2012, December 31, 2011, and January 1, 2011 and the consolidated results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 4, 2013

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

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
Current assets			
Cash	\$ 232,140	\$ 216,307	\$ 189,028
Restricted cash	647,506	411,643	400,000
Accounts receivable	191,093	149,453	108,439
Inventory	10,859	14,185	17,499
Prepaid expenses and deposits	63,311	84,964	74,916
Loans receivable (note 6)	134,529	140,589	156,982
	1,279,438	1,017,141	946,864
Investments held by Lakeshore Foundation (note 7)	36,000	25,000	-
Property and equipment (note 8)	7,034,968	6,988,799	6,887,215
Total assets	\$ 8,350,406	\$ 8,030,940	\$ 7,834,079

LIABILITIES AND NET ASSETS

Current liabilities			
Accounts payable and accrued liabilities	\$ 224,727	\$ 261,132	\$ 276,608
Designated funds payable (note 9)	410,706	411,643	322,458
Promissory notes payable (note 10)	1,515,795	1,511,486	1,714,294
Current portion of bank loan (note 11)	70,353	60,480	49,394
Renewable portion of bank loan (note 11)	1,034,664	-	-
Current portion of long-term debt (note 12)	154,033	150,103	125,721
Renewable portion of long-term debt (note 12)	-	1,155,000	-
	3,410,278	3,549,844	2,488,475
Bank loan (note 11)	-	1,226,315	1,429,338
Long-term debt (note 12)	2,019,240	1,018,940	2,345,326
Total liabilities	5,429,518	5,795,099	6,263,139
Net assets (note 14)			
Invested in property and equipment	3,756,677	3,283,244	3,328,237
Unrestricted	(932,530)	(1,072,833)	(1,757,297)
Internally restricted (note 3)	59,800	-	-
Endowment fund (note 7)	36,941	25,430	-
Total net assets	2,920,888	2,235,841	1,570,940
Total liabilities and net assets	\$ 8,350,406	\$ 8,030,940	\$ 7,834,079

See accompanying notes

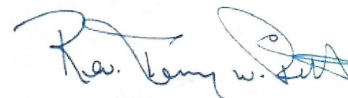
On behalf of the Board:

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, 2012**

	2012				2011	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	(note 20) Total
Revenue						
Tithes						
Churches	\$ 2,285,632	\$ -	\$ -	\$ -	\$ 2,285,632	\$ 2,173,379
Credential holders	389,385	-	-	-	389,385	398,123
Sales and rentals	-	-	767,191	225,776	992,967	984,541
Donations and offerings	25,271	-	417,947	101,434	544,652	630,435
Ministries registration and offerings	234,520	-	-	-	234,520	254,138
Registration fees	2,950	-	143,662	72,647	219,259	213,515
Chaplaincy government contracts	102,940	-	-	-	102,940	85,494
Interest and other	38,689	-	1,994	1,200	41,883	41,859
Rent	-	23,300	-	-	23,300	18,400
Conferences and conventions	3,000	-	-	-	3,000	45,543
	3,082,387	23,300	1,330,794	401,057	4,837,538	4,845,427
Expenditures						
Salaries and benefits	842,601	-	286,734	68,314	1,197,649	1,220,204
Building and property	22,978	36,263	305,323	97,399	461,963	406,153
Camp operations	-	-	326,002	127,046	453,048	402,303
Administration and office	228,202	1,600	74,591	22,200	326,593	332,166
Bible colleges	246,563	-	-	-	246,563	263,488
Subsidies and donations	231,265	-	-	-	231,265	303,644
National Office tithes	231,078	-	-	-	231,078	220,378
Church ministries	188,105	-	-	-	188,105	234,449
Interest and bank charges	115,246	-	21,197	5,297	141,740	172,208
Designated funds	-	-	117,492	10,864	128,356	90,392
Interest on long-term debt	-	57,227	33,144	17,274	107,645	114,688
Chaplain salaries	85,533	-	-	-	85,533	71,162
Conferences and conventions	83,529	-	-	-	83,529	112,512
Pastoral and church care	81,822	-	-	-	81,822	75,470
	2,356,922	95,090	1,164,483	348,394	3,964,889	4,019,217
Excess (deficiency) of revenue over expenditures from operations	725,465	(71,790)	166,311	52,663	872,649	826,210
Amortization of property and equipment	(17,230)	(29,298)	(129,667)	(22,407)	(198,602)	(186,739)
Net subsidies (note 15)	(119,631)	60,000	3,707	55,924	-	-
	(136,861)	30,702	(125,960)	33,517	(198,602)	(186,739)
Excess (deficiency) of revenue over expenditures	\$ 588,604	\$ (41,088)	\$ 40,351	\$ 86,180	\$ 674,047	\$ 639,471

See accompanying notes

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

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

	Invested in Property and Equipment		Unrestricted		Internally Restricted		Endowment		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Consolidated net assets (deficit), beginning of year, as previously stated	\$ 804,881	\$ 849,874	\$ (1,072,833)	\$ (1,757,297)	\$ -	\$ -	\$ 25,430	\$ -	\$ (242,522)	\$ (907,423)
Excess (deficiency) of revenue over expenditures	(198,602)	(186,739)	872,138	826,210	-	-	511	-	674,047	639,471
Interfund transfers (note 3)	-	-	(59,800)	-	59,800	-	-	-	-	-
Endowment contribution (note 7)	-	-	-	-	-	-	11,000	25,430	11,000	25,430
Purchases of property and equipment	244,771	316,323	(244,771)	(316,323)	-	-	-	-	-	-
Repayment of bank loan	181,778	191,937	(181,778)	(191,937)	-	-	-	-	-	-
Repayment of long-term debt	150,770	147,004	(150,770)	(147,004)	-	-	-	-	-	-
Change in applicable portion of loan from District	94,716	(513,518)	(94,716)	513,518	-	-	-	-	-	-
	1,278,314	804,881	(932,530)	(1,072,833)	59,800	-	36,941	25,430	442,525	(242,522)
Restatement of net assets (deficit), beginning of year, due to increase in land value (note 4)	2,478,363	2,478,363	-	-	-	-	-	-	2,478,363	2,478,363
Consolidated net assets (deficit), end of year	\$ 3,756,677	\$ 3,283,244	\$ (932,530)	\$ (1,072,833)	\$ 59,800	\$ -	\$ 36,941	\$ 25,430	\$ 2,920,888	\$ 2,235,841

See accompanying notes

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

Consolidated Statement of Cash Flows
Years ended December 31, 2012 and December 31, 2011

	2012	2011
Operating activities		
Excess of revenue over expenditures	\$ 674,047	\$ 639,471
Endowment contribution (note 7)	11,000	25,430
Add item not involving cash		
Amortization of property and equipment	198,602	186,739
	<hr/> 883,649	<hr/> 851,640
Net change in non-cash working capital items		
Accounts receivable	(41,640)	(41,014)
Inventory	3,326	3,314
Prepaid expenses and deposits	21,653	(10,048)
Accounts payable and accrued liabilities	(36,405)	(15,476)
Designated funds payable	(937)	89,185
	<hr/> (54,003)	<hr/> 25,961
Cash flows from operating activities	<hr/> 829,646	<hr/> 877,601
Financing activities		
Proceeds of promissory notes payable	90,000	327,688
Repayment of promissory notes payable	(85,691)	(530,496)
Repayment of bank loan	(181,778)	(191,937)
Repayment of long-term debt	(150,770)	(147,004)
	<hr/> (328,239)	<hr/> (541,749)
Investing activities		
Net change in loans receivable	6,060	16,393
Purchase of investments held by Lakeshore Foundation (note 7)	(11,000)	(25,000)
Purchase of property and equipment	(244,771)	(316,323)
Proceeds on sale of property	-	28,000
	<hr/> (249,711)	<hr/> (296,930)
Net change in cash during the year	251,696	38,922
Cash, beginning of year	627,950	589,028
Cash, end of year	<hr/> \$ 879,646	<hr/> \$ 627,950
Cash consists of:		
Cash	\$ 232,140	\$ 216,307
Restricted cash	647,506	411,643
	<hr/> \$ 879,646	<hr/> \$ 627,950

See accompanying notes

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and 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 affiliated with The Pentecostal Assemblies of Canada (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

Although the net working capital position of the District (excluding the renewable portion of the bank loan which management expects to renew in 2013) has improved since last year, as at year-end, the District's current liabilities exceed its current assets.

The District's ability to continue to improve its financial position is dependent on the support of its member churches, 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 accounting standards for not-for-profit organizations (ASNPO), 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 ASNPO 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. The most significant estimates include the collectibility of accounts and loans receivable and the useful lives of property and equipment. Actual results could differ from these estimates.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

3. Summary of significant accounting policies - continued

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. It also includes an internally restricted fund for future subsidies to be made by the District.

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, and its Lakeshore Foundation fund (note 7).

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, with the exception of the Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp which are recorded at fair value as at January 1, 2011 (note 4). 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%

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

3. Summary of significant accounting policies - continued

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.

Financial instruments

The District's financial instruments consist of cash, restricted cash, accounts receivable, loans receivable, certificate loans receivable, accounts payable, promissory notes payable, bank loan, and long-term debt.

The carrying values of the District's cash, restricted cash, accounts receivable, 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.

Certificate loans receivable, promissory notes payable, bank loan, and long-term debt are recorded at amortized cost using the effective interest rate method.

4. First-time adoption of accounting standards for not-for-profit organizations

Canadian generally accepted accounting principles ("Canadian GAAP") applicable to not-for-profit organizations were replaced by ASNPO. Effective January 1, 2011, the District adopted ASNPO and these consolidated financial statements are the District's first consolidated financial statements prepared under ASNPO. The accounting policies presented in note 3 were used to prepare the consolidated financial statements for the year ended December 31, 2012, the comparative information and the opening statement of financial position as at the date of transition.

The adoption of ASNPO did not result in any adjustments to the previously reported liabilities, the excess of revenue over expenditures, or the consolidated statement of cash flows.

Section 1501 - First-time Adoption by Not-for-Profit Organizations, contains optional exemptions regarding the retrospective application of ASNPO which the organization may use upon transition. The District elected to revalue the land held by Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp from their original costs to their fair values as at January 1, 2011.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

4. First-time adoption of accounting standards for not-for-profit organizations - continued

The adoption of ASNPO resulted in the following adjustments to the previously reported assets of the Camps at January 1, 2011:

	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Land value, as previously stated	\$ 125,050	\$ 36,587	\$ 161,637
Increase in value	1,954,950	523,413	2,478,363
Land value, as restated	<u>\$ 2,080,000</u>	<u>\$ 560,000</u>	<u>\$ 2,640,000</u>

The previously reported consolidated net assets balance was adjusted as follows at January 1, 2011:

Consolidated net assets, beginning of year, as previously stated	\$ (242,522)
Restatement of net assets (deficit) due to increase in land value	2,478,363
Consolidated net assets, beginning of year, as restated	<u>\$ 2,235,841</u>

5. Financial instruments

The District's main financial instrument exposure is detailed as follows:

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.

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

Liquidity risk

The District's liquidity risk represents the risk that the District could encounter difficulty in meeting obligations associated with its financial liabilities. The District is exposed to liquidity risk as disclosed in note 2.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

6. Loans receivable

Loans receivable by the District are comprised of:

	December 31, 2012	December 31, 2012	January 1, 2011
Church planting demand loans at various interest rates to a maximum of 5%, secured by various properties	\$ 130,037	\$ 134,766	\$ 151,788
Accrued interest on loans	4,492	5,823	5,194
	<u>\$ 134,529</u>	<u>\$ 140,589</u>	<u>\$ 156,982</u>

7. Investments held by Lakeshore Foundation

During the year, Lakeshore Pentecostal Camp received an endowment contribution of \$11,000 (2011 - \$25,430) towards its Lakeshore Foundation fund. Endowment contributions are invested in certificate loans held by the Pentecostal Financial Services Group (PFSG), a wholly-owned subsidiary of the PAOC. These certificate loans earn interest at rates between 3.05% and 3.3% and mature in 2016.

The Lakeshore Foundation fund was established in 2011. 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

Years ended December 31, 2012 and December 31, 2011

8. Property and equipment

	December 31, 2012		December 31, 2011		January 1, 2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	Cost	Accumulated Amortization
General District						
Land held for Church planting	\$ 190,734	\$ -	\$ 190,734	\$ -	\$ 244,914	\$ -
Buildings	160,384	74,015	151,050	70,611	147,696	67,329
Equipment	226,713	208,729	226,713	204,233	224,405	198,902
Computers	96,081	73,050	93,556	63,720	76,925	54,502
	673,912	355,794	662,053	338,564	693,940	320,733
Heritage Holdings						
Land	696,000	-	696,000	-	696,000	-
Buildings	810,342	367,270	810,342	348,809	810,342	329,577
Site improvements	615,614	313,065	530,766	302,228	498,232	293,383
	2,121,956	680,335	2,037,108	651,037	2,004,574	622,960
Lakeshore Pentecostal Camp						
Land, at assessed value as at January 1, 2011	2,080,000	-	2,080,000	-	2,080,000	-
Buildings	3,430,647	1,300,902	3,344,719	1,215,249	3,196,468	1,134,547
Equipment	673,175	518,084	642,541	490,076	572,077	468,111
Vehicles	160,360	157,125	160,360	155,739	160,360	153,758
Site improvements and signs	381,879	302,934	381,879	293,812	381,879	283,617
Drainage	163,296	113,837	163,296	108,341	163,297	102,235
	6,889,357	2,392,882	6,772,795	2,263,217	6,554,081	2,142,268
Ottawa Valley Pentecostal Camp						
Land, at assessed value as at January 1, 2011	560,000	-	560,000	-	560,000	-
Buildings	751,413	602,729	736,929	596,836	694,292	591,887
Equipment	183,767	165,167	178,829	161,133	173,614	157,360
Computers	2,194	498	1,549	155	-	-
Site improvements	240,732	201,575	237,937	192,136	218,372	183,131
Vehicles	63,574	52,957	54,936	50,259	54,936	48,255
	1,801,680	1,022,926	1,770,180	1,000,519	1,701,214	980,633
Total	\$ 11,486,905	\$ 4,451,937	\$ 11,242,136	\$ 4,253,337	\$ 10,953,809	\$ 4,066,594
Net	\$ 7,034,968		\$ 6,988,799		\$ 6,887,215	

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

Years ended December 31, 2012 and December 31, 2011

9. Designated funds payable

	January 1, 2011	Increases	Decreases	December 31, 2011	Increases	Decreases	December 31, 2012
General District							
Women's Ministries							
L.I.F.E Funds	\$ 116,185	\$ 33,823	\$ -	\$ 150,008	\$ 33,143	\$ 68,345	\$ 114,806
Pension support	-	-	-	-	12,000	2,031	9,969
Calvary Temple	-	26,250	26,250	-	-	-	-
ECHO Fund	-	4,201	4,201	-	-	-	-
Native New life Training Centre	-	1,550	1,550	-	-	-	-
Other	10,248	4,015	6,433	7,830	17,045	5,817	19,058
	126,433	69,839	38,434	157,838	62,188	76,193	143,833
Lakeshore Pentecostal Camp							
Environmental assessment	172,155	93,502	27,168	238,489	88,900	76,904	250,485
Camp sponsorship	-	6,775	6,102	673	6,586	5,583	1,676
Future projects	3,099	4,270	7,369	-	-	-	-
Missions	10	47,103	47,113	-	35,557	35,557	-
Women's ministries	-	5,205	5,205	-	-	-	-
Other	12,837	5,287	9,074	9,050	51,205	49,405	10,850
	188,101	162,142	102,031	248,212	182,248	167,449	263,011
Ottawa Valley Pentecostal Camp							
Missions	-	11,523	11,523	-	10,859	10,859	-
Other	7,924	10,559	12,890	5,593	2,768	4,499	3,862
	7,924	22,082	24,413	5,593	13,627	15,358	3,862
	\$ 322,458	\$ 254,063	\$ 164,878	\$ 411,643	\$ 258,063	\$ 259,000	\$ 410,706

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

Notes to Consolidated Financial Statements
Years ended December 31, 2012 and December 31, 2011

10. Promissory notes payable

Promissory notes payable by the District are comprised of:

	December 31, 2012	December 31, 2011	January 1, 2011
Promissory notes from churches and related organizations, unsecured, bearing interest rates to a maximum of 4.35%, redeemable on demand	\$ 1,111,712	\$ 1,047,905	\$ 823,791
Promissory notes from individuals, unsecured, bearing interest rates to a maximum of 4 %, redeemable on demand	404,083	463,581	890,503
	<u>\$ 1,515,795</u>	<u>\$ 1,511,486</u>	<u>\$ 1,714,294</u>

Interest expensed for the year amounted to \$44,645 (2011 - \$59,757). Included in restricted cash is \$177,000 to repay promissory notes due in 2013.

11. Bank loan

	December 31, 2012	December 31, 2011	January 1, 2011
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	\$ 1,105,017	\$ 1,286,795	\$ 1,478,732
Less: current portion and renewable portion	1,105,017	60,480	49,394
	<u>\$ -</u>	<u>\$ 1,226,315</u>	<u>\$ 1,429,338</u>

During the year, the District made principal payments of \$181,778 (2011 - \$191,937) towards its bank loan. Interest expensed for the year amounted to \$73,127 (2011 - \$83,223).

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.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

12. Long-term debt

	December 31, 2012	December 31, 2011	January 1, 2011
Heritage Holdings			
Mortgage payable, secured by property, bearing interest at 4.70%, repayable in annual principal payments of \$70,000, interest payable semi-annually, with interest payments, on June 1 and December 1, due December 2015	\$ 1,155,000	\$ 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 2016 but renewable for three further terms of three years	669,996	727,310	781,802
Ottawa Valley Pentecostal			
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 2016 but renewable for four further terms of three years	348,277	371,733	394,245
	2,173,273	2,324,043	2,471,047
Less: current portion and	154,033	1,305,103	125,721
	\$ 2,019,240	\$ 1,018,940	\$ 2,345,326

During the year, \$150,770 (2011 - \$147,004) in long-term debt payments were made. Interest expensed on long-term debt during the year amounted to \$107,645 (2011 - \$114,688).

The Heritage Holdings mortgage is payable to PFSG.

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:

2013	\$ 154,033
2014	157,945
2015	182,239
2016	186,766
2017	190,500
Thereafter	1,301,790
	\$ 2,173,273

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

13. Intercompany loans

	December 31, 2012	December 31, 2011	January 1, 2011
Heritage Holdings	\$ 2,059,048	\$ 1,892,062	\$ 1,779,861
Lakeshore Pentecostal Camp	1,405,547	1,345,925	1,198,393
Ottawa Valley Pentecostal Camp	264,308	274,308	284,308
Due to General District	\$ 3,728,903	\$ 3,512,295	\$ 3,262,562

The intercompany loan to Heritage Holdings is unsecured, non-interest bearing, with no formal terms for repayment.

The intercompany loans to Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp 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 \$84,360 (2011 - \$84,538) and is reflected in the net subsidies in the statement of activities (note 15).

14. Net assets

	December 31, 2012				
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Invested in property and equipment	\$ 318,118	\$ 286,621	\$ 2,898,264	\$ 253,674	\$ 3,756,677
Unrestricted	1,416,428	(2,056,008)	(329,848)	36,898	(932,530)
Internally restricted	59,800	-	-	-	59,800
Endowment fund	-	-	36,941	-	36,941
	\$ 1,794,346	\$ (1,769,387)	\$ 2,605,357	\$ 290,572	\$ 2,920,888

	December 31, 2011				
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Invested in property and equipment	\$ 323,490	\$ 161,071	\$ 2,619,510	\$ 179,173	\$ 3,283,244
Unrestricted	882,252	(1,889,370)	(90,934)	25,219	(1,072,833)
Endowment fund	-	-	25,430	-	25,430
	\$ 1,205,742	\$ (1,728,299)	\$ 2,554,006	\$ 204,392	\$ 2,235,841

	January 1, 2011				
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Invested in property and equipment	\$ 373,207	\$ 86,614	\$ 2,432,237	\$ 436,179	\$ 3,328,237
Unrestricted	432,771	(1,777,530)	(80,792)	(331,746)	(1,757,297)
	\$ 805,978	\$ (1,690,916)	\$ 2,351,445	\$ 104,433	\$ 1,570,940

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
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Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

15. Net subsidies

Net subsidies include the following transactions:

	2012				Total
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	
Subsidies	\$ (143,991)	\$ -	\$ 72,742	\$ 71,249	\$ -
Interest (note 13)	84,360	-	(69,035)	(15,325)	-
Rent	(60,000)	60,000	-	-	-
	\$ (119,631)	\$ 60,000	\$ 3,707	\$ 55,924	\$ -

	2011				Total
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	
Subsidies	\$ (143,990)	\$ -	\$ 72,741	\$ 71,249	\$ -
Interest (note 13)	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 13).

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

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

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.

In addition to those noted elsewhere, related party transactions during the year were as follows:

The District paid approximately \$18,000 (2011 - \$15,000) to the Ottawa Valley Pentecostal Camp for retreats held by the District at the Camp.

Lakeshore Pentecostal Camp charges Heritage Holdings \$7,500 (2011 - \$7,500) for grounds maintenance.

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 (2011 - \$22,000) was then provided to the churches as a subsidy.

17. Commitments

The District has contracted to lease various office equipment until 2017. The minimum rental cost for the next five years is as follows:

2013	\$ 15,000
2014	15,000
2015	15,000
2016	15,000
2017	12,000

18. Contingent liabilities

Guarantees

The District has a letter of guarantee outstanding in the amount of \$9,450 (December 31, 2011 - \$9,450; January 1, 2011 - \$9,450). The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$2,111,175 (December 31, 2011 - \$2,815,285; January 1, 2011 - \$2,881,500), as well as the mortgages payable by Lakeshore Pentecostal Camp and Ottawa Valley Pentecostal Camp (note 12). 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, 2012 is \$730,000 (December 31, 2011 - \$730,000; January 1, 2011 - \$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 Street 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.

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Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

18. Contingent liabilities - continued

Environmental assessment

Lakeshore Pentecostal Camp is cooperating with the Ontario Ministry of the Environment with respect to an environmental assessment relating to its septic system. The camp's water treatment system has been upgraded with costs being covered by designated funds. An analysis of the sewage system is also underway. Upgrades to septic systems will 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.

Special payments for Pension Plan

The District participates in a defined benefit, multi-employer pension plan administered by The Pension Fund (1969) of The Pentecostal Assemblies of Canada (the "Plan"). The District accounts for its participation in this multi-employer pension plan as a defined contribution plan.

An actuarial valuation report of the Plan prepared in 2011 disclosed that the contribution schedule previously established was inadequate to fund the promised benefit. Additional contributions in the form of special payments are required. The District's share of the special payments was \$26,762 in 2012. Monthly special payments are expected to continue until the Plan is adequately funded.

19. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2012 financial statements.

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements

Years ended December 31, 2012 and December 31, 2011

20. Consolidated Statement of Activities for the year ended December 31, 2011

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Revenue					
Tithes					
Churches	\$ 2,173,379	\$ -	\$ -	\$ -	\$ 2,173,379
Credential holders	398,123	-	-	-	398,123
Sales and rentals	-	-	747,280	237,261	984,541
Donations and offerings	57,006	-	454,638	118,791	630,435
Ministries registration and offerings	254,138	-	-	-	254,138
Registration fees	1,805	-	136,417	75,293	213,515
Chaplaincy government contracts	85,494	-	-	-	85,494
Interest and other	38,357	-	3,279	223	41,859
Rent	-	18,400	-	-	18,400
Conferences and conventions	45,543	-	-	-	45,543
	3,053,845	18,400	1,341,614	431,568	4,845,427
Expenditures					
Salaries and benefits	852,654	-	264,477	103,073	1,220,204
Building and property	22,745	25,603	276,616	81,189	406,153
Camp operations	-	-	288,855	113,448	402,303
Administration and office	216,972	1,600	81,998	31,596	332,166
Bible colleges	263,488	-	-	-	263,488
Subsidies and donations	303,644	-	-	-	303,644
National Office tithes	220,378	-	-	-	220,378
Church ministries	234,449	-	-	-	234,449
Interest and bank charges	143,323	-	21,514	7,371	172,208
Designated funds	-	-	78,244	12,148	90,392
Interest on long-term debt	-	60,505	35,966	18,217	114,688
Chaplain salaries	71,162	-	-	-	71,162
Conferences and conventions	112,512	-	-	-	112,512
Pastoral and church care	75,470	-	-	-	75,470
	2,516,797	87,708	1,047,670	367,042	4,019,217
Excess (deficiency) of revenue over expenditures from operations	537,048	(69,308)	293,944	64,526	826,210
Amortization of property and equipment	(17,832)	(28,075)	(120,946)	(19,886)	(186,739)
Net subsidies (note 15)	(119,452)	60,000	4,133	55,319	-
	(137,284)	31,925	(116,813)	35,433	(186,739)
Excess (deficiency) of revenue over expenditures	\$ 399,764	\$ (37,383)	\$ 177,131	\$ 99,959	\$ 639,471