

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

---

2008 Consolidated Financial Statements

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL  
ASSEMBLIES OF CANADA**  
2008 Consolidated Financial Statements

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## Auditors' Report

### To the Members of the Eastern Ontario District of The Pentecostal Assemblies of Canada

We have audited the consolidated statement of financial position of the Eastern Ontario District of The Pentecostal Assemblies of Canada as at December 31, 2008 and the consolidated statements of activities, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the District's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PKF Hill LLP

Chartered Accountants, Licensed Public Accountants  
March 20, 2009

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

Consolidated Statement of Financial Position  
As at December 31

	2008				2007	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
<b>ASSETS</b>						
Current assets						
Cash	\$ 108,787	\$ -	\$ 5,063	\$ 25,581	\$ 139,431	\$ 211,510
Accounts receivable	40,985	-	75,132	8,811	124,928	132,708
Inventory	1,000	-	1,740	2,050	4,790	4,790
Prepaid expenses and deposits	38,668	-	19,086	10,085	67,839	57,141
Loans receivable (note 5)	187,322	-	-	-	187,322	191,222
	376,762	-	101,021	46,527	524,310	597,371
Property and equipment (note 6)	400,880	2,028,895	2,405,050	223,388	5,058,213	5,193,808
	\$ 777,642	\$ 2,028,895	\$ 2,506,071	\$ 269,915	\$ 5,582,523	\$ 5,791,179
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities						
Accounts payable and accrued liabilities	\$ 248,061	\$ 15,067	\$ 68,563	\$ 33,916	\$ 365,607	\$ 325,802
Current portion of bank loans (note 7)	64,091	-	59,999	-	124,090	1,682,593
Designated funds payable (note 8)	5,044	-	63,441	8,516	77,001	149,918
Loans payable (note 9)	1,661,481	-	-	-	1,661,481	1,730,679
Cottage deposits	-	10,000	-	-	10,000	35,000
Camp loans from District (note 10)	(3,065,104)	1,510,116	1,255,553	299,435	-	-
Current portion of long-term debt (note 11)	-	60,000	41,176	16,029	117,205	173,175
	(1,086,427)	1,595,183	1,488,732	357,896	2,355,384	4,097,167
Bank loans (note 7)	1,523,202	-	-	-	1,523,202	-
Long-term debt (note 11)	-	1,920,000	833,431	415,182	3,168,613	3,287,334
	436,775	3,515,183	2,322,163	773,078	7,047,199	7,384,501
Net assets						
Invested in property and equipment (note 12)	400,880	48,895	274,890	-	724,665	715,574
Unrestricted	(60,013)	(1,535,183)	(90,982)	(503,163)	(2,189,341)	(2,308,896)
	340,867	(1,486,288)	183,908	(503,163)	(1,464,676)	(1,593,322)
	\$ 777,642	\$ 2,028,895	\$ 2,506,071	\$ 269,915	\$ 5,582,523	\$ 5,791,179

See accompanying notes

On behalf of the Board:

Director

Director

Rev. Craig J. Burton

Rev. David Blakely

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

Consolidated Statement of Activities  
Year ended December 31

	2008				2007	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
<b>Revenue</b>						
Tithes - Churches and Pastors	\$ 2,248,406	\$ -	\$ -	\$ -	\$ 2,248,406	\$ 2,439,771
Sales and rentals	-	-	714,048	146,563	860,611	805,161
Donations and offerings	12,497	-	454,578	137,245	604,320	604,229
Ministries registration and offerings	299,016	-	-	-	299,016	350,786
Registration fees	4,335	-	143,952	140,664	288,951	274,512
Chaplaincy government contracts	172,573	-	-	-	172,573	213,871
Other	9,652	-	-	630	10,282	21,285
Interest	9,540	-	101	109	9,750	11,446
Rent	-	9,650	-	-	9,650	12,450
Developing Churches	-	-	-	-	-	106,084
Conferences and conventions	-	-	-	-	-	50,428
	2,756,019	9,650	1,312,679	425,211	4,503,559	4,890,023
<b>Expenditures</b>						
Salaries and benefits	924,473	-	236,586	92,014	1,253,073	1,392,128
Building and property	52,564	17,767	263,827	111,018	445,176	414,517
Camp	-	-	302,212	105,286	407,498	385,772
Administration and office	247,038	298	93,379	34,673	375,388	340,692
Ministries	290,593	-	-	-	290,593	340,158
Master's College and Seminary	237,051	-	-	-	237,051	179,775
Interest on long-term debt	-	118,386	62,771	30,716	211,873	212,797
Designated funds	-	-	193,577	10,045	203,622	185,870
Interest and bank charges	181,719	-	16,305	5,323	203,347	236,361
Subsidies and donations	198,471	-	-	-	198,471	230,987
National Office tithes	198,307	-	-	-	198,307	212,544
Executive	92,127	-	-	-	92,127	95,668
Other	36,160	-	-	-	36,160	27,223
Conferences and conventions	27,664	-	-	-	27,664	17,654
District conference	1,280	-	-	-	1,280	97,396
Developing Churches	-	-	-	-	-	106,084
	2,487,447	136,451	1,168,657	389,075	4,181,630	4,475,626
<b>Excess (deficiency) of revenue over expenditures from operations</b>	268,572	(126,801)	144,022	36,136	321,929	414,397
Amortization of property and equipment	(22,922)	(26,204)	(120,029)	(24,128)	(193,283)	(200,683)
Net subsidies (note 13)	(104,703)	60,000	(1,093)	45,796	-	-
	(127,625)	33,796	(121,122)	21,668	(193,283)	(200,683)
<b>Excess (deficiency) of revenue over expenditures</b>	\$ 140,947	\$ (93,005)	\$ 22,900	\$ 57,804	\$ 128,646	\$ 213,714

See accompanying notes

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

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

	2008			2007
	Invested in Property and Equipment (note 12)	Unrestricted	Total	Total
<b>(a) General District</b>				
Net assets, beginning of year	\$ 402,022	\$ (202,102)	\$ 199,920	\$ (64,215)
Excess (deficiency) of revenue over expenditures	(22,922)	163,869	140,947	264,135
Invested in property and equipment				
Purchase of property and equipment	21,780	(21,780)	-	-
Net assets, end of year	400,880	(60,013)	340,867	199,920
<b>(b) Heritage Holdings</b>				
Net assets, beginning of year	-	(1,393,283)	(1,393,283)	(1,295,280)
Deficiency of revenue over expenditures	(26,204)	(66,801)	(93,005)	(98,003)
Invested in property and equipment				
Non-applicable portion of long-term debt	75,099	(75,099)	-	-
Net assets, end of year	48,895	(1,535,183)	(1,486,288)	(1,393,283)
<b>(c) Lakeshore Pentecostal Camp</b>				
Net assets, beginning of year	313,552	(152,544)	161,008	165,268
Excess (deficiency) of revenue over expenditures	(120,029)	142,929	22,900	(4,260)
Invested in property and equipment				
Purchase of property and equipment	28,098	(28,098)	-	-
Repayment of loan from District	14,029	(14,029)	-	-
Repayment of long-term debt	39,240	(39,240)	-	-
Net assets, end of year	274,890	(90,982)	183,908	161,008
<b>(d) Ottawa Valley Pentecostal Camp</b>				
Net assets, beginning of year	-	(560,967)	(560,967)	(612,809)
Excess (deficiency) of revenue over expenditures	(24,128)	81,932	57,804	51,842
Invested in property and equipment				
Purchase of property and equipment	9,061	(9,061)	-	-
Repayment of loan from District	41,094	(41,094)	-	-
Non-applicable portion of loan from District	(26,027)	26,027	-	-
Net assets, end of year	-	(503,163)	(503,163)	(560,967)
Consolidated net assets, end of year	\$ 724,665	\$ (2,189,341)	\$ (1,464,676)	\$ (1,593,322)

See accompanying notes

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

Consolidated Statement of Cash Flows  
Year ended December 31

	2008	2007
Operating activities		
Excess of revenue over expenditures	\$ 128,646	\$ 213,714
Add items not involving cash		
Amortization	193,283	200,683
Loss on disposal of property and equipment	1,251	-
	<u>323,180</u>	<u>414,397</u>
Net change in non-cash working capital items		
Accounts receivable	7,780	17,115
Inventory	-	(194)
Prepaid expenses and deposits	(10,698)	29,447
Accounts payable and accrued liabilities	39,805	(297,396)
Designated funds payable	(72,917)	45,863
Cottage deposits	(25,000)	(5,000)
	<u>(61,030)</u>	<u>(210,165)</u>
Cash flows from operating activities	<u>262,150</u>	<u>204,232</u>
Financing activities		
Repayment of bank loans	(35,301)	(110,588)
Proceeds of loans payable	184,675	96,378
Repayment of loans payable	(253,873)	(167,077)
Repayment of long-term debt	(174,691)	(50,964)
Cash flows from financing activities	<u>(279,190)</u>	<u>(232,251)</u>
Investing activities		
Collection of loans receivable	3,900	88,849
Purchase of property and equipment	(58,939)	(24,046)
Cash flows from investing activities	<u>(55,039)</u>	<u>64,803</u>
Net change in cash during the year	(72,079)	36,784
Cash, beginning of year	211,510	174,726
Cash, end of year	<u>\$ 139,431</u>	<u>\$ 211,510</u>

See accompanying notes

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2008

### **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. 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.

#### Going concern

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which presumes the realization of assets and discharge of liabilities in the normal course of operations.

At December 31, 2008, the District has a working capital deficiency of \$1,831,074 (2007 - \$3,499,796) and a net asset deficiency of \$1,464,676 (2007 - \$1,593,322). Consequently, the District's ability to continue as a going concern is dependent on the support of the PAOC, the District's lenders, and a continued surplus position in its operations.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the District be unable to continue as a going concern.

#### 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 ultimately 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, 2008

### 2. 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 Ottawa, 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 tithes, donations, offerings and developing churches. Restricted tithes, donations, offerings and developing churches 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, 2008

### 2. 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 Canadian Institute of Chartered Accountants (the "CICA") has issued the following Accounting Handbook Section which the District will be required to adopt effective December 31, 2009. The adoption of the new standard is not expected to have a material impact on the consolidated financial statements.

Section 4470 - Disclosure of Allocated Expenses for Not-for-Profit Organizations.

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

The District's capital is comprised of 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.

#### Invested in property and equipment

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.

#### Unrestricted funds

The District has clearly stated objectives in that it exists to promulgate the gospel of Jesus Christ at home and abroad; to promote Christian fellowship and to supervise those churches in the District which are associated with the PAOC; to examine and award credential to ministers who meet the standards set out in the General Constitution of the PAOC; to elect leadership and to govern itself; to establish and maintain ministries and institutions necessary to fulfilling its purposes; and to own, use, sell, mortgage, or lease property as needed to pursue its purposes.

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. In 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.

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2008

**3. Objectives, policies and processes for managing capital - continued**

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.

**4. Financial instruments**

The CICA provides a temporary choice for financial instruments disclosure 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, accounts receivable, prepaid deposits, loans receivable, accounts payable, bank loans, designated funds payable, loans payable, cottage deposits and long-term debt.

Measurement

The carrying value of the District's cash, accounts receivable, prepaid deposits, accounts payable, designated funds payable and cottage deposits approximates fair value due to their short-term maturities.

Loans receivable and loans payable are recorded at cost as the fair value and amortized cost is not determinable.

Bank loans 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.

**5. Loans receivable**

	2008	2007
Church planting demand loans at various interest rates to a maximum of 6%, secured by various properties	\$ 131,882	\$ 132,182
Other general demand loans at prime rate, secured by property	48,243	51,843
Accrued interest on loans receivable	7,197	7,197
	<u>\$ 187,322</u>	<u>\$ 191,222</u>

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2008

6. Property and equipment

	2008			2007
	Cost	Accumulated Amortization	Net	Net
General District				
Land held for Church planting	\$ 244,914	\$ -	\$ 244,914	\$ 244,914
Buildings	146,583	60,564	86,019	89,605
Equipment	221,827	184,862	36,965	38,278
Computers	68,703	35,721	32,982	29,225
	682,027	281,147	400,880	402,022
Heritage Holdings				
Land	1,300,000	-	1,300,000	1,400,000
Buildings	800,000	293,381	506,619	423,561
Site improvements	498,232	275,956	222,276	231,537
	2,598,232	569,337	2,028,895	2,055,098
Lakeshore Pentecostal Camp				
Land	125,050	-	125,050	25,050
Buildings	2,932,911	989,412	1,943,499	2,115,646
Equipment	563,899	428,839	135,060	129,905
Site improvements	353,434	243,306	110,128	122,364
Drainage	163,297	87,912	75,385	83,761
Vehicles	158,360	148,357	10,003	14,291
Signs	22,829	16,904	5,925	5,965
	4,319,780	1,914,730	2,405,050	2,496,982
Ottawa Valley Pentecostal Camp				
Land	36,587	-	36,587	36,587
Buildings	692,802	583,270	109,532	114,096
Site improvements	208,343	167,015	41,328	51,659
Equipment	173,420	148,242	25,178	31,473
Vehicles	53,278	42,515	10,763	5,891
	1,164,430	941,042	223,388	239,706
	\$ 8,764,469	\$ 3,706,256	\$ 5,058,213	\$ 5,193,808

During the year, 10 acres of land were transferred from Heritage Holdings to Lakeshore Pentecostal Camp in exchange for a house at the estimated fair value of the house of \$100,000. No gain or loss was recognized on transfer.

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2008

7. Bank loans

	2008	2007
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	\$ 1,567,293	\$ 1,599,812
Lakeshore Pentecostal Camp demand loan, unsecured, bearing interest payable monthly at the bank prime rate plus 2%	59,999	69,999
	<u>1,627,292</u>	<u>1,669,811</u>
Bank indebtedness		
General District	20,000	-
Lakeshore Pentecostal Camp	-	10,293
Ottawa Valley Pentecostal Camp	-	2,489
	<u>20,000</u>	<u>12,782</u>
	1,647,292	1,682,593
Less: current portion	<u>124,090</u>	<u>1,682,593</u>
	<u>\$ 1,523,202</u>	<u>\$ -</u>

Interest expense for the year amounted to \$110,164 (2007 - \$133,578). The bank indebtedness is repayable on demand and bears interest at the bank prime rate plus 2%. The maximum available overdraft credit is \$200,000 (2007 - \$200,000).

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

2009	\$ 124,090
2010	46,667
2011	49,394
2012	52,280
2013	55,335
Thereafter	<u>1,319,526</u>
	<u>\$ 1,647,292</u>

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2008

**8. Designated funds payable**

The activity for the designated funds is as follows:

	January 1, 2008 Opening Balance	Increases	Decreases	December 31, 2008 Closing Balance
<b>General District</b>				
Native New Life Training Centre	\$ 12,010	\$ 3,550	\$ 12,510	\$ 3,050
ECHO Fund	-	18,134	16,880	1,254
Other ministries	4,662	630	4,677	615
Master's College and Seminary	1,450	2,075	3,400	125
Calvary Temple	13,125	-	13,125	-
Children's ministries	7,326	6,321	13,647	-
Full Gospel Assembly (Markham)	2,500	-	2,500	-
Girls home	2,200	-	2,200	-
Missions	100	-	100	-
Iqaluit property	(110)	130	20	-
	<u>43,263</u>	<u>30,840</u>	<u>69,059</u>	<u>5,044</u>
<b>Lakeshore Pentecostal Camp</b>				
Other ministries	50,000	2,500	-	52,500
Pool fund	8,350	-	-	8,350
Missions	3,478	41,721	43,670	1,529
Women's ministries	5,272	9,050	13,560	762
Camp sponsorship	3,691	4,851	8,242	300
Environmental assessment	25,683	85,209	110,892	-
Camp foundation	-	661	661	-
	<u>96,474</u>	<u>143,992</u>	<u>177,025</u>	<u>63,441</u>
<b>Ottawa Valley Pentecostal Camp</b>				
Other ministries	3,121	3,633	2,368	4,386
Camp sponsorship	6,478	-	2,348	4,130
Tractor	611	-	611	-
Missions	(29)	10,016	9,987	-
	<u>10,181</u>	<u>13,649</u>	<u>15,314</u>	<u>8,516</u>
	<u>\$ 149,918</u>	<u>\$ 188,481</u>	<u>\$ 261,398</u>	<u>\$ 77,001</u>

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

Notes to Consolidated Financial Statements  
Year ended December 31, 2008

**9. Loans payable**

	2008	2007
Loans from churches and related organizations, unsecured, bearing interest rates to a maximum of 5.25%, redeemable on demand	\$ 715,628	\$ 700,186
Loans from individuals, unsecured, bearing interest rates to a maximum of 5.90%, redeemable on demand	945,853	1,030,493
	<u>\$ 1,661,481</u>	<u>\$ 1,730,679</u>

Interest expense for the year amounted to \$70,757 (2007 - \$75,110).

**10. Camp loans from District**

The camp loans are unsecured, bearing interest at 5% with no terms for repayment. Interest was charged to the two camp funds in the amount of \$82,569 (2007 - \$82,569) and is reflected in the net subsidies in the statement of activities (note 13).

**11. Long-term debt**

	2008	2007
Heritage Holdings		
Mortgage payable, secured by property, bearing interest at 6%, repayable in annual principal payments of \$60,000, interest payable semi-annually on June 1 and December 1, due December 1, 2009 to be renewed upon maturity, as per communication with lender.	\$ 1,980,000	\$ 2,100,000
Lakeshore Pentecostal Camp		
Mortgage on Lakeshore Pentecostal Camp property, bearing interest at 7.1%, repayable in monthly blended principal and interest payments of \$8,501, due February, 2010 but renewable for five further terms of three years.	874,607	913,847
Ottawa Valley Pentecostal Camp		
Mortgage on Ottawa Valley Pentecostal Camp property, bearing interest at 7.1%, repayable in monthly blended principal and interest payments of \$3,847, due February, 2010 but renewable for six further terms of three years.	431,211	446,662
	<u>3,285,818</u>	<u>3,460,509</u>
Less: current portion	117,205	173,175
	<u>\$ 3,168,613</u>	<u>\$ 3,287,334</u>

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL  
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Notes to Consolidated Financial Statements  
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**11. Long-term debt - continued**

Interest expensed on long-term debt during the year amounted to \$211,873 (2007- \$212,797).

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. Based on communication with PFSG, the agreement will be renewed when it comes due in December, 2009.

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:

2009	\$ 117,205
2010	119,000
2011	121,000
2012	123,000
2013	125,000
Thereafter	2,680,613
	<hr/> <hr/> \$ 3,285,818

**12. Invested in property and equipment**

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

	<u>2008</u>				<u>2007</u>	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
Property and equipment	\$ 400,880	\$ 2,028,895	\$ 2,405,050	\$ 223,388	\$ 5,058,213	\$ 5,193,808
Less:						
Camp loans from District	-	-	(1,255,553)	(299,435)	(1,554,988)	(1,610,113)
Long-term debt	-	(1,980,000)	(874,607)	-	(2,854,607)	(3,013,847)
Non-applicable portion of loans	-	-	-	76,047	76,047	145,726
	<hr/> <hr/> \$ 400,880	<hr/> <hr/> \$ 48,895	<hr/> <hr/> \$ 274,890	<hr/> <hr/> \$ -	<hr/> <hr/> \$ 724,665	<hr/> <hr/> \$ 715,574



**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL  
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**13. Net subsidies**

Net subsidies include the following transactions:

	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total
Subsidies	\$ (127,272)	\$ -	\$ 63,960	\$ 63,312	\$ -
Interest (note 10)	82,569	-	(65,053)	(17,516)	-
Rent	(60,000)	60,000	-	-	-
	<u>\$ (104,703)</u>	<u>\$ 60,000</u>	<u>\$ (1,093)</u>	<u>\$ 45,796</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 camp loans (note 10).

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

**14. 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.

The District holds a loan for an employee, payable on demand and bearing interest at 4.5% which is payable on a monthly basis. The loan receivable from the employee at December 31, 2008 is \$43,850 (2007 - \$47,450).

**15. Commitments**

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

2009	\$ 23,000
2010	18,000
2011	18,000
2012	18,000
2013	9,000

The District has also made a commitment to repay a \$100,000 loan payable to an individual in 2009.

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**16. Contingent liabilities**

Guarantees

The District has a letter of guarantee outstanding in the amount of \$15,900 (2007 - \$15,900). The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$2,637,953 (2007 - \$5,572,139). These loans are secured by property of the churches. 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 totalling \$1,430,000. The primary security for these loans is the equity of Master's College and Seminary in its Peterborough asset, which is currently listed for sale.

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.

**17. Subsequent event**

Subsequent to year end, Heritage Holdings entered into two conditional purchase and sale agreements to sell land, including a home and farm buildings, as well as a lot that contains a house and attached garage, a creek, and a pond site, for \$375,000 and \$225,000, respectively. These sales are dependent upon the land severance approval currently before the Hamilton Township Council.

**18. Comparative amounts**

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2008 financial statements.