

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

2009 Consolidated Financial Statements

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
ASSEMBLIES OF CANADA**
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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, 2009 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, 2009 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 16, 2010

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

**Consolidated Statement of Financial Position
As at December 31**

	2009					2008
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
ASSETS						
Current assets						
Cash	\$ 135,727	\$ -	\$ 20,332	\$ 1,596	\$ 157,655	\$ 139,431
Accounts receivable	32,133	7,500	112,830	6,693	159,156	124,928
Inventory	1,000	-	6,490	4,860	12,350	4,790
Prepaid expenses and deposits	34,483	-	24,517	8,958	67,958	67,839
Loans receivable (notes 5 and 14)	186,509	-	-	-	186,509	187,322
	389,852	7,500	164,169	22,107	583,628	524,310
Property and equipment (note 6)	387,001	1,399,623	2,378,527	203,820	4,368,971	5,058,213
	\$ 776,853	\$ 1,407,123	\$ 2,542,696	\$ 225,927	\$ 4,952,599	\$ 5,582,523
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	\$ 183,425	\$ 7,460	\$ 55,834	\$ 3,470	\$ 250,189	\$ 365,607
Current portion of bank loans (note 7)	86,667	-	40,000	-	126,667	124,090
Designated funds payable (note 8)	43,140	-	156,016	-	199,156	77,001
Loans payable (notes 9 and 14)	1,753,347	-	-	-	1,753,347	1,661,481
Cottage deposits	-	-	-	-	-	10,000
Intercompany loans from District (note 10)	(3,198,533)	1,699,812	1,198,412	300,309	-	-
Current portion of long-term debt (note 11)	-	50,000	50,932	20,558	121,490	117,205
	(1,131,954)	1,757,272	1,501,194	324,337	2,450,849	2,355,384
Bank loans (note 7)	1,477,618	-	-	-	1,477,618	1,523,202
Long-term debt (note 11)	-	1,295,000	782,827	394,668	2,472,495	3,168,613
	345,664	3,052,272	2,284,021	719,005	6,400,962	7,047,199
Net assets						
Invested in property and equipment (note 12)	387,001	54,623	346,356	-	787,980	724,665
Unrestricted	44,188	(1,699,772)	(87,681)	(493,078)	(2,236,343)	(2,189,341)
	431,189	(1,645,149)	258,675	(493,078)	(1,448,363)	(1,464,676)
	\$ 776,853	\$ 1,407,123	\$ 2,542,696	\$ 225,927	\$ 4,952,599	\$ 5,582,523

See accompanying notes

On behalf of the Board:

Director

Director

Rev. Craig J. Burton

Rev. Ron Hughes

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Consolidated Statement of Activities
Year ended December 31

	2009				2008	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
Revenue						
Tithes						
Churches	\$ 2,075,819	\$ -	\$ -	\$ -	\$ 2,075,819	\$ 1,983,164
Pastors and other	261,332	-	-	-	261,332	265,242
Sales and rentals	-	-	716,833	234,777	951,610	936,173
Donations and offerings	14,415	-	397,782	122,996	535,193	604,320
Ministries registration and offerings	310,429	-	-	-	310,429	299,016
Registration fees	1,648	-	141,927	71,597	215,172	213,389
Chaplaincy government contracts	149,494	-	-	-	149,494	172,573
Conferences and conventions	55,433	-	-	-	55,433	-
Rent	-	16,153	-	-	16,153	9,650
Interest	6,948	-	2,783	131	9,862	9,750
Other	412	-	-	5,290	5,702	10,282
	2,875,930	16,153	1,259,325	434,791	4,586,199	4,503,559
Expenditures						
Salaries and benefits	876,105	-	240,728	116,332	1,233,165	1,119,426
Building and property	39,915	32,979	292,170	125,800	490,864	445,176
Camp	-	-	306,913	137,207	444,120	407,498
Administration and office	173,447	37,697	108,282	32,136	351,562	375,388
Ministries	301,175	-	-	-	301,175	290,593
Subsidies and donations	239,588	-	-	-	239,588	198,471
Bible colleges	239,062	-	-	-	239,062	237,051
National Office tithes	207,713	-	-	-	207,713	198,307
Interest on long-term debt	-	101,541	61,427	30,181	193,149	211,873
Interest and bank charges	160,709	-	22,826	6,398	189,933	203,347
Chaplain salaries	134,802	-	-	-	134,802	133,647
Executive	114,374	-	-	-	114,374	92,127
District conference	101,316	-	-	-	101,316	1,280
Other	37,412	37,525	-	-	74,937	36,160
Designated funds	-	-	53,265	13,963	67,228	203,622
Conferences and conventions	4,875	-	-	-	4,875	27,664
	2,630,493	209,742	1,085,611	462,017	4,387,863	4,181,630
Excess (deficiency) of revenue over expenditures from operations	245,437	(193,589)	173,714	(27,226)	198,336	321,929
Amortization of property and equipment	(21,934)	(25,272)	(113,753)	(21,064)	(182,023)	(193,283)
Net subsidies (note 13)	(133,181)	60,000	14,806	58,375	-	-
	(155,115)	34,728	(98,947)	37,311	(182,023)	(193,283)
Excess (deficiency) of revenue over expenditures	\$ 90,322	\$ (158,861)	\$ 74,767	\$ 10,085	\$ 16,313	\$ 128,646

See accompanying notes

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Consolidated Statement of Changes in Net Assets Year ended December 31

	2009			2008
	Invested in Property and Equipment (note 12)	Unrestricted	Total	Total
(a) General District				
Net assets, beginning of year	\$ 400,880	\$ (60,013)	\$ 340,867	\$ 199,920
Excess (deficiency) of revenue over expenditures	(21,934)	112,256	90,322	140,947
Invested in property and equipment				
Purchase of property and equipment	8,055	(8,055)	-	-
Net assets, end of year	387,001	44,188	431,189	340,867
(b) Heritage Holdings				
Net assets, beginning of year	48,895	(1,535,183)	(1,486,288)	(1,393,283)
Deficiency of revenue over expenditures	(25,272)	(133,589)	(158,861)	(93,005)
Invested in property and equipment				
Sale of property (note 6)	(604,000)	604,000	-	-
Repayment of long-term debt	635,000	(635,000)	-	-
Net assets, end of year	54,623	(1,699,772)	(1,645,149)	(1,486,288)
(c) Lakeshore Pentecostal Camp				
Net assets, beginning of year	274,890	(90,982)	183,908	161,008
Excess (deficiency) of revenue over expenditures	(113,753)	188,520	74,767	22,900
Invested in property and equipment				
Purchase of property and equipment	87,230	(87,230)	-	-
Repayment of loan from District	57,141	(57,141)	-	-
Repayment of long-term debt	40,848	(40,848)	-	-
Net assets, end of year	346,356	(87,681)	258,675	183,908
(d) Ottawa Valley Pentecostal Camp				
Net assets, beginning of year	-	(503,163)	(503,163)	(560,967)
Excess (deficiency) of revenue over expenditures	(21,064)	31,149	10,085	57,804
Invested in property and equipment				
Purchase of property and equipment	1,496	(1,496)	-	-
Increase in loan from District	(874)	874	-	-
Repayment of long-term debt	15,985	(15,985)	-	-
Non-applicable portion of loan from District	4,457	(4,457)	-	-
Net assets, end of year	-	(493,078)	(493,078)	(503,163)
Consolidated net assets, end of year	\$ 787,980	\$ (2,236,343)	\$ (1,448,363)	\$ (1,464,676)

See accompanying notes

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

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

	2009	2008
Operating activities		
Excess of revenue over expenditures	\$ 16,313	\$ 128,646
Add items not involving cash		
Amortization of property and equipment	182,023	193,283
Loss on disposal of property and equipment	-	1,251
	<hr/> 198,336	<hr/> 323,180
Net change in non-cash working capital items		
Accounts receivable	(34,228)	7,780
Inventory	(7,560)	-
Prepaid expenses and deposits	(119)	(10,698)
Accounts payable and accrued liabilities	(115,418)	39,805
Designated funds payable	122,155	(72,917)
Cottage deposits	(10,000)	(25,000)
	<hr/> (45,170)	<hr/> (61,030)
Cash flows from operating activities	<hr/> 153,166	<hr/> 262,150
Financing activities		
Proceeds of loans payable	275,423	184,675
Repayment of loans payable	(183,557)	(253,873)
Repayment of bank loans	(43,007)	(35,301)
Repayment of long-term debt	(691,833)	(174,691)
Cash flows from financing activities	<hr/> (642,974)	<hr/> (279,190)
Investing activities		
Net change in loans receivable	813	3,900
Purchase of property and equipment	(96,781)	(58,939)
Proceeds on sale of property	604,000	-
Cash flows from investing activities	<hr/> 508,032	<hr/> (55,039)
Net change in cash during the year	18,224	(72,079)
Cash, beginning of year	139,431	211,510
Cash, end of year	<hr/> <hr/> \$ 157,655	<hr/> <hr/> \$ 139,431

See accompanying notes

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2009

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.

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, 2009, the District has a working capital deficiency of \$1,867,221 (2008 - \$1,831,074) and a net asset deficiency of \$1,448,363 (2008 - \$1,464,676). 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.

The District is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

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, 2009

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

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2009

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 ("CICA") has not issued any accounting standards which the District will be required to adopt for its fiscal year 2010.

3. Objectives, policies and processes for managing capital

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

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

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

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

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

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

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

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2009

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 values of the District's cash, accounts receivable, prepaid deposits, accounts payable, designated funds payable and cottage deposits approximate fair values 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

	2009	2008
Church planting demand loans at various interest rates to a maximum of 5%, secured by various properties	\$ 142,136	\$ 131,882
Other general demand loans at prime rate, secured by property	38,963	48,243
Accrued interest on loans receivable	5,410	7,197
	<u>\$ 186,509</u>	<u>\$ 187,322</u>

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

Notes to Consolidated Financial Statements
Year ended December 31, 2009

6. Property and equipment

	2009			2008
	Cost	Accumulated Amortization	Net	Net
General District				
Land held for Church planting	\$ 244,914	\$ -	\$ 244,914	\$ 244,914
Buildings	146,584	64,004	82,580	86,019
Equipment	224,418	194,242	30,176	36,965
Computers	74,697	45,366	29,331	32,982
	690,613	303,612	387,001	400,880
Heritage Holdings				
Land	696,000	-	696,000	1,300,000
Buildings	800,000	309,761	490,239	506,619
Site improvements	498,232	284,848	213,384	222,276
	1,994,232	594,609	1,399,623	2,028,895
Lakeshore Pentecostal Camp				
Land	125,050	-	125,050	125,050
Buildings	3,011,781	1,059,250	1,952,531	1,943,499
Equipment	572,077	449,999	122,078	135,060
Site improvements	353,434	254,319	99,115	110,128
Drainage	163,297	95,450	67,847	75,385
Vehicles	158,360	151,357	7,003	10,003
Signs	23,011	18,108	4,903	5,925
	4,407,010	2,028,483	2,378,527	2,405,050
Ottawa Valley Pentecostal Camp				
Land	36,587	-	36,587	36,587
Buildings	692,802	587,652	105,150	109,532
Site improvements	209,644	175,412	34,232	41,328
Equipment	173,615	153,297	20,318	25,178
Vehicles	53,278	45,745	7,533	10,763
	1,165,926	962,106	203,820	223,388
	\$ 8,257,781	\$ 3,888,810	\$ 4,368,971	\$ 5,058,213

During the year, Heritage Holdings sold 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 gross proceeds of \$604,000, less closing costs of \$37,525. No gain or loss was recognized on the sale, and net proceeds were utilized to reduce the mortgage payable to Pentecostal Financial Services Group Inc. (note 11).

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

Notes to Consolidated Financial Statements
Year ended December 31, 2009

7. Bank loans

	2009	2008
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	\$ 1,524,285	\$ 1,567,293
Lakeshore Pentecostal Camp demand loan, unsecured, bearing interest payable monthly at the bank prime rate plus 3.75%	40,000	59,999
	<u>1,564,285</u>	<u>1,627,292</u>
Bank indebtedness		
General District	40,000	20,000
	<u>1,604,285</u>	<u>1,647,292</u>
Less: current portion	126,667	124,090
	<u>\$ 1,477,618</u>	<u>\$ 1,523,202</u>

Interest expense for the year amounted to \$91,427 (2008 - \$110,164). The bank indebtedness is repayable on demand and bears interest at the bank prime rate plus 3.75%. The maximum available overdraft credit is \$200,000 (2008 - \$200,000).

Future minimum principal payments on bank loans are as follows:

2010	\$ 126,667
2011	49,394
2012	52,280
2013	55,335
2014	58,568
Thereafter	1,262,041
	<u>\$ 1,604,285</u>

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

Notes to Consolidated Financial Statements
Year ended December 31, 2009

8. Designated funds payable

The activity for the designated funds is as follows:

	January 1, 2009 Opening Balance	Increases	Decreases	December 31, 2009 Closing Balance
General District				
Women's Ministries L.I.F.E. Funds	\$ -	\$ 36,553	\$ -	\$ 36,553
Other ministries	615	9,098	3,126	6,587
Calvary Temple	-	48,125	48,125	-
Native New Life Training Centre	3,050	2,830	5,880	-
ECHO Fund	1,254	300	1,554	-
Master's College and Seminary	125	3,605	3,730	-
	5,044	100,511	62,415	43,140
Lakeshore Pentecostal Camp				
Environmental assessment	-	90,172	7,785	82,387
Future projects	52,500	11,953	-	64,453
Pool fund	8,350	-	-	8,350
Missions	1,529	50,987	51,690	826
Women's ministries	762	6,935	7,697	-
Camp sponsorship	300	4,487	4,787	-
	63,441	164,534	71,959	156,016
Ottawa Valley Pentecostal Camp				
Missions	-	10,000	10,000	-
Other ministries	4,386	3,252	7,638	-
Camp sponsorship	4,130	-	4,130	-
	8,516	13,252	21,768	-
	\$ 77,001	\$ 278,297	\$ 156,142	\$ 199,156

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

Notes to Consolidated Financial Statements
Year ended December 31, 2009

9. Loans payable

	2009	2008
Loans from churches and related organizations, unsecured, bearing interest rates to a maximum of 4.35%, redeemable on demand	\$ 762,922	\$ 715,628
Loans from individuals, unsecured, bearing interest rates to a maximum of 4%, redeemable on demand	990,425	945,853
	<u>\$ 1,753,347</u>	<u>\$ 1,661,481</u>

Interest expense for the year amounted to \$60,632 (2008 - \$70,757).

10. Intercompany loans from District

The intercompany loans are unsecured, bearing interest at 5% with no formal terms for principal repayment. Interest was charged to the two camp funds in the amount of \$74,285 (2008 - \$82,569) and is reflected in the net subsidies in the statement of activities (note 13).

11. Long-term debt

	2009	2008
Heritage Holdings		
Mortgage payable, secured by property, bearing interest at 4.70%, repayable in annual principal payments of \$50,000, payable semi-annually on June 1 and December 1, due December 1, 2012.	\$ 1,345,000	\$ 1,980,000
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.	833,759	874,607
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.	415,226	431,211
	<u>2,593,985</u>	<u>3,285,818</u>
Less: current portion	121,490	117,205
	<u>\$ 2,472,495</u>	<u>\$ 3,168,613</u>

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

Notes to Consolidated Financial Statements
Year ended December 31, 2009

11. Long-term debt - continued

Interest expensed on long-term debt during the year amounted to \$193,149 (2008- \$211,873).

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

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

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

2010	\$ 121,490
2011	125,721
2012	1,324,522
2013	80,000
2014	82,000
Thereafter	860,252
	\$ 2,593,985

12. Invested in property and equipment

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

	2009				2008	
	General District	Heritage Holdings	Lakeshore Pentecostal Camp	Ottawa Valley Pentecostal Camp	Total	Total
Property and equipment	\$ 387,001	\$ 1,399,623	\$ 2,378,527	\$ 203,820	\$ 4,368,971	\$ 5,058,213
Less:						
Camp loans from District	-	-	(1,198,412)	(300,309)	(1,498,721)	(1,554,988)
Long-term debt	-	(1,345,000)	(833,759)	-	(2,178,759)	(2,854,607)
Non-applicable portion of loans	-	-	-	96,489	96,489	76,047
	\$ 387,001	\$ 54,623	\$ 346,356	\$ -	\$ 787,980	\$ 724,665

**EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL
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Notes to Consolidated Financial Statements
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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	\$ (147,466)	\$ -	\$ 74,869	\$ 72,597	\$ -
Interest (note 10)	74,285	-	(60,063)	(14,222)	-
Rent	(60,000)	60,000	-	-	-
	<u>\$ (133,181)</u>	<u>\$ 60,000</u>	<u>\$ 14,806</u>	<u>\$ 58,375</u>	<u>\$ -</u>

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

Interest charged by the General District to the camps is on account of the intercompany loans (note 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 bears interest at 4.5% which is payable on a monthly basis. The loan receivable from the employee at December 31, 2009 is \$38,963 (2008 - \$43,850). Included in loans payable from individuals is a short-term promissory note payable to an employee for \$100,000, bearing interest at 3.25%. The funds were advanced to the District in November 2009, and were repaid subsequent to year end.

15. Commitments

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

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

EASTERN ONTARIO DISTRICT OF THE PENTECOSTAL ASSEMBLIES OF CANADA

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16. Contingent liabilities

Guarantees

The District has a letter of guarantee outstanding in the amount of \$15,900 (2008 - \$15,900). The District is the guarantor of loans and mortgages for various churches within the District in the amount of \$4,186,316 (2008 - \$2,637,953). 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 \$1,890,000 (2008 - \$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. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2009 financial statements.