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HEART-LINKS LAZOS DE CORAZON
(Operating as Heart-Links)
Financial Statements
December 31, 2008

AUDITORS' REPORT

To the Directors of
Heart-Links Lazos De Corazon
(Operating as Heart-Links)

We have audited the statement of financial position of Heart-Links Lazos De Corazon as at December 31, 2008 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many charitable organizations, the organization derives part of its revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referenced to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Ontario
February 13, 2009

Ford Keast LLP
Chartered Accountants
Licensed Public Accountants

HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)
Statement of Financial Position
As at December 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	\$ 39,910	\$ 22,428
Short-term investments (Note 3)	57,627	22,840
Accounts receivable	862	1,093
Prepaid expenses	8,674	8,662
	<u>107,073</u>	<u>55,023</u>
INVESTMENTS (Note 3)	19,379	101,573
	<u>\$ 126,452</u>	<u>\$ 156,596</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,403	\$ 2,792
NET ASSETS		
Internally restricted	104,231	100,000
Unrestricted	17,818	53,804
	<u>122,049</u>	<u>153,804</u>
	<u>\$ 126,452</u>	<u>\$ 156,596</u>

APPROVED BY THE DIRECTORS:

Director

Director

HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)
Statement of Changes in Net Assets
December 31, 2008

	Internally Restricted (Note 5)	Unrestricted	Total	
			2008	2007
NET ASSETS, Beginning of year	\$ 100,000	\$ 53,804	\$ 153,804	\$ 161,715
Internally restricted donation	4,231	(4,231)	-	\$ -
Change in accounting policy (Note 3)	-	-	-	(421)
Excess (deficiency) of revenue over expenditures for the year	-	(31,755)	(31,755)	(7,490)
NET ASSETS, End of year	\$ 104,231	\$ 17,818	\$ 122,049	\$ 153,804

HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)

Statement of Operations

December 31, 2008

	2008	2007
REVENUE		
Donations - regular	\$ 52,597	\$ 49,286
Donations - work awareness	14,497	13,200
Interest	8,133	5,710
Fundraising - net of expenses, \$2,635 (2007 - \$2,884)	6,422	5,295
Training grants and donations	-	1,850
Donations - special projects	250	1,030
Other	169	996
Change in fair value of investments	(30,885)	(5,541)
	<u>51,183</u>	<u>71,826</u>
EXPENDITURES		
Peru programs	57,311	49,803
Travel to Peru	11,380	14,170
Office	4,215	3,552
Public engagement	1,101	2,847
Rent	3,075	2,486
Audit fees	3,265	2,288
Fund development	1,422	2,108
Training and governance	769	1,749
Bank charges	400	313
	<u>82,938</u>	<u>79,316</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (31,755)	\$ (7,490)

HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)
Notes to Financial Statements
December 31, 2008

1. PURPOSE OF THE ORGANIZATION

Heart-Links Lazos De Corazon was incorporated, by Letters Patent, under the Laws of Ontario on October 9, 2002 as an agency to relieve poverty, distress and suffering in Peru and in other developing regions of the world and to empower people to develop sustainable livelihoods.

The organization is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada for non-profit organizations. The significant accounting policies are summarized below.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized when earned.

Donations and other similar receipts are recorded only as received. Accordingly, pledges for donations which may be received in future periods are not reflected in these financial statements.

Investments

Investments are reflected at their fair value on the statement of financial position and the total amount of change in the fair value in the year is recognized in the statement of operations. Fair value is determined by a prescribed securities dealer.

Capital Assets

Capital asset expenditures, if any, are expensed as incurred.

Contributed Services

Contributed material and services by volunteers are not recognized in these financial statements due to the difficulty in determining their fair market value.

HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)

Notes to Financial Statements

December 31, 2008

2. ACCOUNTING POLICIES Continued

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. INVESTMENTS

Effective January 1, 2007, the organization adopted the new standard of generally accepted accounting principles in Canada which requires its investments to be considered "held for trading" and be recorded at their current fair market value. The unrealized gains (losses) accrued during the current period are reflected in the statement of operations.

Short-term investments are comprised of guaranteed investment certificates and corporate bonds that mature in the next twelve months. Investments are comprised of preferred share equity securities as well as provincial and corporate bonds.

4. CAPITAL DISCLOSURES

The new CICA Handbook section 1535 requires an organization to disclose information about its objectives, policies and processes for managing its capital. The organization defines its capital as all the components comprising the organization's net asset balances. The organization's objective in managing its capital is to maintain basic stability and liquidity for the organization's ongoing operations as a viable charity. All investments are managed by professional fund managers while the policies and investment strategies are determined by the board of directors. There are no externally imposed capital restrictions.

5. INTERNALLY RESTRICTED NET ASSETS

The board of directors has designated a portion of unrestricted net assets for an emergency fund in the amount of \$100,000. These restricted funds can only be accessed by board approval. Income earned, if any, on these funds is to be recognized as income in the current operations.

During the year the organization received a donation in the amount of \$5,000 which it has internally designated as restricted. This internally restricted amount can only be accessed by board approval and only for the purposes of organizational governance. The organization spent \$769 on issues related to governance. Income earned, if any, on this fund is to be recognized as income in the current operations.

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Notes to Financial Statements

December 31, 2008

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of the organization's financial current assets and liabilities, including cash, accounts receivable and accounts payable are approximately equal to their carrying value due to their short-term maturity dates.

Unless otherwise noted, the organization's financial instruments do not expose the company to significant credit risk.

Currency Risk

The organization incurs approximately 70% of its expenses in foreign currency. Consequently, some expenses are exposed to foreign exchange fluctuations. Expenses advanced in United States dollars are converted to their Canadian dollar equivalent of \$57,310 (2007 - \$49,802)

Interest Rate Risk

Certain of the organization's investments are invested in assets bearing fixed interest rates. The organization expects to renew these investments at market rates as they mature. Accordingly, the organization's interest rate risk is dependent upon future market rates.

7. COMMITMENTS

The organization entered into a lease for premises at Grosvenor Lodge, London, Ontario. The lease commitment for the year ended December 31, 2009 is \$3,150.

8. FUTURE ACCOUNTING CHANGES

A number of revised and new accounting standards under Canadian generally accepted accounting principles will be coming into effect in the subsequent period.

Revised CICA Handbook Section 4400, Financial Statement Presentation for Not-for-Profit organizations, will now require that cash flow statement disclosure be included in the financial statements. The standard is effective for reporting periods on or after January 1, 2009 and the organization is currently evaluating the impact of adoption.

New CICA Handbook Section 4470, Disclosure of Allocated Expenses by Not-for-Profit organizations, will require additional disclosure in the financial statements where expenses incurred in the period have been allocated among various fundraising and general support activities. The standard is effective for reporting periods beginning on or after January 1, 2009 and the organization is currently evaluating the impact of adoption of this new standard.

Revised CICA Handbook Section 4430, Capital Assets held by Not-for-Profit organizations, will require organizations to value contributed capital assets at their fair value on the date received. The organization is not currently required to employ the requirements under Canadian generally accepted accounting principles related to capital assets as disclosed in Note 2. Accordingly, the organization does not expect the revision of this standard to have any impact on the financial statements.

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9. STATEMENT OF CASH FLOW

A statement of cash flow is not presented since cash flow is readily determinable from the presented financial statements.