



**Ford Keast** LLP  
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**HEART-LINKS LAZOS DE CORAZON**  
(Operating as Heart-Links)

Financial Statements

Year ended December 31, 2009

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**PARTNERS:**

Michael J. Davies, BA, CA \*  
Thomas R. Getliffe, BA, CA \*

Paul H. King, BComm, CA \*  
David J. Raines, BA, CA \*  
Werner Schmidt, BMath, CA \*

Michael A. Scott, BMath, CA \*  
John E. Van Osch, BMath, CA \*

*\* practicing through a professional corporation*



## 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, 2009 and the statements of operations, changes in net assets and cash flows 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 special events 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, 2009 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Ontario  
June 7, 2010

*Ford Keast LLP*

**Chartered Accountants**  
**Licensed Public Accountants**

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# HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)  
Statement of Financial Position  
As at December 31, 2009

	2009	2008
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 8,313	\$ 39,910
Short-term investments (Note 3)	115,273	57,627
Accounts receivable	432	862
Prepaid expenses	6,935	8,674
	<u>130,953</u>	107,073
INVESTMENTS (Note 3)	64,807	19,379
	<u>\$ 195,760</u>	\$ 126,452
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 5,000	\$ 4,402
Deferred contributions (Note 4)	32,720	-
	<u>37,720</u>	4,402
<b>NET ASSETS</b>		
Internally restricted	104,231	104,231
Unrestricted	53,809	17,819
	<u>158,040</u>	122,050
	<u>\$ 195,760</u>	\$ 126,452

APPROVED BY THE DIRECTORS:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)  
Statement of Changes in Net Assets  
Year ended December 31, 2009

	Internally Restricted (Note 6)	Unrestricted	Total	
			2009	2008
NET ASSETS, Beginning of year	\$ 104,231	\$ 17,818	\$ 122,049	\$ 153,804
Excess (deficiency) of revenue over expenditures for the year	-	35,991	35,991	(31,754)
NET ASSETS, End of year	\$ 104,231	\$ 53,809	\$ 158,040	\$ 122,050

# HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)

Statement of Operations

Year ended December 31, 2009

	2009	2008
<b>REVENUE</b>		
Donations - regular	\$ 46,975	\$ 52,597
Special events revenue	18,021	9,057
Change in fair value of investments	16,908	(30,885)
Donations - work awareness trip	14,382	14,497
Investment	5,576	8,133
Donations - special projects	1,055	419
	<b>102,917</b>	<b>53,818</b>
<b>EXPENDITURES</b>		
Peru programs	30,430	57,311
Work awareness trip	14,392	11,380
Special events expenses	8,600	2,635
Audit fees	5,065	3,265
Rent	3,075	3,075
Insurance	2,483	2,660
Office	1,396	1,554
Fund development	1,256	1,422
Bank charges	129	400
Public engagement	100	1,101
Training and governance	-	769
	<b>66,926</b>	<b>85,572</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 35,991</b>	<b>\$ (31,754)</b>

# HEART-LINKS LAZOS DE CORAZON

Statement of Cash Flows  
Year ended December 31, 2009

	2009	2008
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenditures for the year	\$ 35,991	\$ (31,754)
Add (deduct) non-cash items:		
Change in fair value of investments	(16,908)	30,885
Change in non-cash working capital items related to operations	35,310	2,119
	<u>54,393</u>	<u>1,250</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(140,990)	(20,796)
Proceeds from disposals of investments	55,000	37,028
	<u>(85,990)</u>	<u>16,232</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	(31,597)	17,482
Cash, beginning of year	39,910	22,428
CASH, END OF YEAR	<u>\$ 8,313</u>	<u>\$ 39,910</u>

# HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)  
Notes to Financial Statements  
Year ended December 31, 2009

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## 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 recorded at market value at year end, which are derived from quoted market values from a prescribed security dealer. Unrealized gains and losses coming from the revaluation to market are recorded in income for the year.

### 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.

### 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.

# HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)  
Notes to Financial Statements  
Year ended December 31, 2009

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## 2. ACCOUNTING POLICIES Continued

### Changes in accounting policies

Effective January 1, 2009 the organization was required to adopt the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under the following new sections:

#### Section 1400 - General Standards of Financial Statement Presentation

This new section now includes requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties.

Amendments to several of the existing sections in the 4400 series - Financial Statements by Not-For-Profit Organizations, which apply to fiscal years beginning on or after January 1, 2009. The amendments include: additional guidance in the applicability of Section 1100, Generally Accepted Accounting Principles; requirement to disclose revenue and expenses in accordance with EIC 123, Reporting Revenues Gross as a Principal Versus Net as an Agent; requirement to include a statement of cash flows in accordance with Section 1540, Cash Flow Statements; new disclosure requirements regarding the allocation of fundraising and general support costs.

These new standards have been adopted in accordance with the transitional provisions of the CICA Handbook. Adoption of these standards had no material impact on the opening net assets or on the organization's financial statements for the year ended December 31, 2009.

### Financial Instruments

Financial assets and liabilities recognized at fair value and their subsequent measurement is dependent on their classification. Heart-Links considers its investments to be held for trading. All other financial assets and liabilities are at amortized cost.

## 3. INVESTMENTS

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

## 4. DEFERRED CONTRIBUTIONS

	2009	2008
Aviacion project	\$ 1,500	\$ -
Comedores & children's project	20,000	-
Peru fund special projects	11,220	-
	<u>\$ 32,720</u>	<u>\$ -</u>

## 5. CAPITAL DISCLOSURES

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.

# HEART-LINKS LAZOS DE CORAZON

(Operating as Heart-Links)

Notes to Financial Statements

Year ended December 31, 2009

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## 6. 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 revenue in operations.

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

## 7. 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.

The organization's investments are recorded at fair value as determined by a prescribed security dealer.

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

### Currency Risk

The organization incurs approximately 63% 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 \$35,108 (2008 - \$57,310).

### 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.

## 8. COMMITMENTS

The organization entered into a lease for premises at Grosvenor Lodge, London, Ontario. The lease commitment for the year ended December 31, 2010 is \$3,210.

## 9. RECLASSIFICATIONS

Certain of the comparative figures for the preceding year have been reclassified to conform with the statement presentation adopted for the current year.