

HEART-LINKS LAZOS DE CORAZON

Financial Statements

Year Ended December 31, 2010

(Unaudited)

HEART-LINKS LAZOS DE CORAZON

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Year Ended December 31, 2010

(Unaudited)

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REVIEW ENGAGEMENT REPORT

To the Directors of Heart-Links Lazos de Corazon

We have reviewed the statement of financial position of Heart-Links Lazos de Corazon as at December 31, 2010 and the statements of operations and fund balances and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

London, Canada
February 14, 2011



NPT LLP
Chartered Accountants
Licensed Public Accountants

HEART-LINKS LAZOS DE CORAZON

Statement of Financial Position

December 31, 2010

(Unaudited)

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 19,699	\$ 8,313
Short term investments <i>(Note 3)</i>	84,407	115,273
Accounts receivable	1,037	432
Prepaid expenses	2,969	6,935
	108,112	130,953
INVESTMENTS <i>(Note 4)</i>	161,097	64,807
	\$ 269,209	\$ 195,760
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,999	\$ 5,000
Deferred contributions	-	32,720
	1,999	37,720
FUND BALANCES		
Peru Projects Fund	35,800	-
Youth and Women Fund	10,000	-
Governance Fund	2,410	4,231
Contingency Fund	100,000	100,000
General fund	119,000	53,809
	267,210	158,040
	\$ 269,209	\$ 195,760

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

HEART-LINKS LAZOS DE CORAZON

Statement of Operations and Fund Balances

Year Ended December 31, 2010

(unaudited)

	2010					2009	
	Peru Projects Fund	Youth and Women Fund	Governance Fund	Contingency Fund	General Fund	Total	Total
Revenues							
Donations - regular	\$ -	\$ -	\$ -	\$ -	\$ 59,699	\$ 59,699	\$ 46,975
Donations - special projects	31,000	20,000	-	-	-	51,000	-
Special events revenue	-	-	-	-	29,558	29,558	19,485
Donations - work awareness trip	-	-	-	-	28,774	28,774	14,382
Change in fair value of investments	-	-	-	-	13,073	13,073	16,908
Investment income	800	-	-	-	8,443	9,243	5,576
	31,800	20,000	-	-	139,547	191,347	103,326
Expenditures							
Peru programs - regular	\$ -	\$ 10,000	\$ -	\$ -	\$ 22,864	\$ 32,864	\$ 30,430
Work awareness trip	-	-	-	-	27,160	27,160	14,392
Special events expenses	-	-	-	-	9,549	9,549	9,009
Rent	-	-	-	-	3,158	3,158	3,075
Insurance	-	-	-	-	2,035	2,035	2,483
Office	-	-	-	-	1,913	1,913	1,396
Peru programs - special projects	-	-	1,821	-	-	1,821	-
Bank charges	-	-	-	-	1,221	1,221	129
Fund development	-	-	-	-	1,096	1,096	1,256
Accounting fees	-	-	-	-	998	998	5,065
Public engagement	-	-	-	-	362	362	100
	-	10,000	1,821	-	70,356	82,177	67,335
Excess of revenues over expenditures for the year	31,800	10,000	(1,821)	-	69,191	109,170	35,991
Fund balances, beginning of year	-	-	4,231	100,000	53,809	158,040	122,049
Interfund transfers (note 5)	4,000	-	-	-	(4,000)	-	-
Fund balances, end of year	\$ 35,800	\$ 10,000	\$ 2,410	\$ 100,000	\$ 119,000	\$ 267,210	\$ 158,040

HEART-LINKS LAZOS DE CORAZON**Statement of Cash Flows****Year Ended December 31, 2010***(Unaudited)*

	2010	2009
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 109,170	\$ 35,991
Item not affecting cash:		
Change in fair value of investments	(13,073)	(16,908)
	96,097	19,083
Changes in non-cash working capital:		
Accounts receivable	(605)	430
Prepaid expenses	3,966	1,739
Accounts payable and accrued liabilities	(3,001)	597
Deferred contributions	(32,720)	32,720
	(32,360)	35,486
Cash flow from operating activities	63,737	54,569
INVESTING ACTIVITIES		
Purchases of investments	(238,778)	(141,166)
Proceeds from disposal of investments	186,427	55,000
Cash flow used by investing activities	(52,351)	(86,166)
INCREASE (DECREASE) IN CASH FLOW	11,386	(31,597)
Cash - beginning of year	8,313	39,910
CASH - END OF YEAR	\$ 19,699	\$ 8,313

See notes to financial statements

HEART-LINKS LAZOS DE CORAZON

Notes to Financial Statements

Year Ended December 31, 2010

(Unaudited)

1. NATURE OF BUSINESS

Heart-Links Lazos de Corazon was incorporated, by Letters Patent, under the Canada Corporations Act on October 9, 2002 as an agency to relieve poverty, distress and suffering in Peru and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are summarized below.

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the organization, the accounts are maintained in accordance with the principles of fund accounting. Under this principle, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. The operations are organized into various funds as detailed below:

The General Fund accounts for the organizations on-going program delivery and administrative activities.

The Contingency Fund is an internally restricted fund accessible only by board approval on an emergency basis.

The Governance Fund is an internally restricted fund for use on organizational governance expenses.

The Youth and Women Fund is an internally restricted fund to be used for programs for youth and women.

The Peru Projects Fund is a restricted fund to be used to support programs devoted to education, health and nutrition mainly for the people in the Zana Valley of Peru.

Revenue recognition

The organization follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue of the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue of the appropriate fund in the year received.

Investment income of the Peru Projects Funds is recognized when earned as income of that fund. Investment income of the other funds is recognized in the general fund 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.

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HEART-LINKS LAZOS DE CORAZON

Notes to Financial Statements

Year Ended December 31, 2010

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent upon their classification which is determined based on the purpose for which the financial instruments were acquired or issued, their characteristics and the organization's designation of such instruments.

The following is a summary of the accounting model the organization has elected to apply to each of its significant categories of financial instruments:

Cash	Held for trading
Investments	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liability

Subsequent measurement and treatment of any gain or loss on the financial instruments is recorded as follows:

- a) Held for trading financial assets are measured at fair value and any gain or loss resulting from the re-measurement at the end of each period is recognized in operations. Interest and dividends earned on held for trading assets are also included in operations for the period.
- b) Loans and receivables are measured at amortized cost using the effective interest method.
- c) Held to maturity financial assets are measured at amortized cost using the effective interest method.
- d) Available for sale assets are measured at fair value and any gain or loss resulting from the re-measurement at the end of each period is recognized as a direct increase or decrease to fund balances. Such accumulated gain or loss is recognized in operations when realized.
- e) Other financial liabilities are measured at amortized cost using the effective interest method.

Capital assets

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

Contributed materials and services

Volunteers contribute many hours per year to enable the organization to carry out its objectives. Because of the difficulty of determining their fair value, contributed services of volunteers are not recognized in these financial statements.

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HEART-LINKS LAZOS DE CORAZON

Notes to Financial Statements

Year Ended December 31, 2010

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. SHORT TERM INVESTMENTS

Short term investments are comprised of money market funds, guaranteed investment certificates and corporate bonds that mature in the next twelve months.

4. LONG TERM INVESTMENTS

	2010		2009	
	Cost	FMV	Cost	FMV
Fixed income securities	\$ 51,229	\$ 51,521	\$ 10,185	\$ 10,185
Equity securities	115,098	109,576	72,884	54,622
	\$ 166,327	\$ 161,097	\$ 83,069	\$ 64,807

Interest rates on the fixed income securities range from 4.85% to 5.07% with maturity dates from January 2012 to October 2014.

5. INTERFUND TRANSFERS

During the year, the board of directors approved a transfer of \$4,000 from the general fund to the Peru Projects fund to match initial donations to the fund by other donors.

HEART-LINKS LAZOS DE CORAZON

Notes to Financial Statements

Year Ended December 31, 2010

(Unaudited)

6. CAPITAL DISCLOSURES

The organization defines capital as debt and net assets. During the year, the organization did not utilize any debt.

The organization's objectives in managing capital are to:

1. Ensure financial capacity to meet current obligations is maintained and to continue as a going concern;
2. Ensure financial capacity to maintain, expand or modify the services provided by the organization in carrying out its charitable objectives; and
3. Ensure financial capacity to execute the organization's strategic plan is maintained.

In order to manage capital, the organization regularly identifies and assesses risks that threaten the ability to meet the organization's capital management objectives and determines the appropriate strategy to mitigate these risks. The organization regularly monitors and assesses its financial performance and financial position to ensure its capital structure is appropriately maintained.

The organization is not subject to any externally imposed capital requirements.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the organization's financial instruments, including cash, accounts receivable and accounts payable and accrued liabilities 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 securities dealer.

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

Currency risk

The organization incurred approximately 35% (63% in 2009) of its expenses in foreign currency. Consequently, some expenses are exposed to foreign exchange fluctuations.

Interest rate risk

Some 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, 2011 is \$3,525.