

**CANADIAN HERO FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2011**

CANADIAN HERO FUND

DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
The Canadian Hero Fund

We have audited the accompanying financial statement of Canadian Hero Fund, which comprises the statement of financial position as at December 31, 2011 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses and cash flows from operations for the year ended December 31, 2011, or total assets and net assets as at December 31, 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Canadian Hero Fund as at December 31, 2011 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Akler, Browning, Frimet
& Landzberg LLP*

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO, CANADA
JUNE 11, 2012

CANADIAN HERO FUND

STATEMENT OF FINANCIAL POSITION

	Year Ended December 31	
	<u>2011</u>	<u>2010</u>
	\$	\$
ASSETS		
CURRENT		
Cash	179,033	46,507
Accounts receivable	<u>1,932</u>	<u>24,947</u>
	<u>180,965</u>	<u>71,454</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	4,404	2,679
NET ASSETS		
NET ASSETS	<u>176,561</u>	<u>68,775</u>
	<u>180,965</u>	<u>71,454</u>

The accompanying notes are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD:



DIRECTOR

DIRECTOR

CANADIAN HERO FUND

STATEMENT OF OPERATIONS AND NET ASSETS

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	Year Ended December 31	
	<u>2011</u>	<u>2010</u>
	\$	\$
REVENUE		
Donations	137,125	91,756
Other	<u>-</u>	<u>1,589</u>
	<u>137,125</u>	<u>93,345</u>
EXPENSES		
Awards	20,000	10,000
Fundraising costs	2,781	1,705
Office and general	871	3,267
Professional fees	3,850	1,000
Travel	<u>1,837</u>	<u>3,982</u>
	<u>29,339</u>	<u>19,954</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	107,786	73,391
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	<u>68,775</u>	<u>(4,616)</u>
NET ASSETS AT END OF YEAR	<u>176,561</u>	<u>68,775</u>

The accompanying notes are an integral part of these financial statements.

CANADIAN HERO FUND

STATEMENT OF CASH FLOWS

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	Year Ended December 31	
	<u>2011</u>	<u>2010</u>
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	107,786	73,391
Changes in non-cash working capital balances related to operations		
Accounts receivable	23,015	(24,947)
Accounts payable and accrued liabilities	<u>1,725</u>	<u>(8,496)</u>
Cash Flow From Operating Activities	<u>132,526</u>	<u>39,948</u>
NET INCREASE IN CASH FOR THE YEAR	132,526	39,948
CASH AT BEGINNING OF YEAR	<u>46,507</u>	<u>6,559</u>
CASH AT END OF YEAR	<u>179,033</u>	<u>46,507</u>

The accompanying notes are an integral part of these financial statements.

CANADIAN HERO FUND

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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Note 1: Purpose Of The Organization

The Canadian Hero Fund is a non-profit organization incorporated without share capital and is registered with the Canada Revenue Agency as a charity, within the meaning of the Income Tax Act. The purpose of the organization is to receive and maintain funds to provide scholarships for the benefit of spouses and children of Canadian fallen soldiers.

Note 2: Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Outlined below are policies considered particularly significant.

Revenue Recognition

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Accounting Estimates

The preparation of 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services

The organization benefits from various contributed services of volunteers. Due to the difficulty of determining the fair value of contributed services, they are not recognized in the financial statements.

Financial Instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

CANADIAN HERO FUND

NOTES TO THE FINANCIAL STATEMENTS
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Note 3: Future Accounting Changes

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. The organization is currently considering the impact of the adoption of these standards.

Note 4: Financial Instruments

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. In the opinion of management the organization does not have a great deal of exposure to any of these types of risk.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization reduces its exposure to credit risk by reviewing its receivables on a regular basis and by creating an allowance for bad debts when applicable. In the opinion of management the credit risk exposure to the organization is low and is not material.

Liquidity Risk

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains adequate cash reserves to repay trade creditors as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.