

**CANADIAN HERO FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**

## CANADIAN HERO FUND

Financial Statements  
December 31, 2016

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**AKLER, BROWNING, FRIMET & LANDZBERG LLP**  
**CHARTERED ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT**

To the Directors of the Canadian Hero Fund

We have audited the accompanying financial statements of the Canadian Hero Fund, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in 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 accounting standards for not-for-profit organizations, 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.

*Auditor's 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Canadian Hero Fund's preparation and fair presentation of the financial statements 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 Canadian Hero Fund'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 statements.

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, Canadian Hero Fund derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Canadian Hero Fund and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenditures and cash flows from operations for the year ended December 31, 2016, total assets and net assets as at December 31, 2016.

*Qualified Opinion*

In our opinion, except for the 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 the Canadian Hero Fund as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

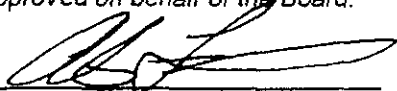
*Akler, Browning, Frimet*  
*& Landzberg LLP*

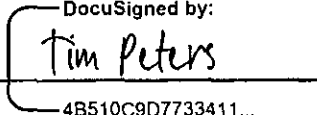
Chartered Accountants  
Licensed Public Accountants  
Toronto, Canada  
August 31, 2017

**CANADIAN HERO FUND**  
**Statement of Financial Position**  
**December 31, 2016**

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 463,461	\$ 460,957
Accounts receivable	13,762	13,231
<b>Total Assets</b>	<b>\$ 477,223</b>	<b>\$ 474,188</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 11,811	\$ 11,193
<b>Fund Balances</b>		
<b>Net assets</b>	<b>465,412</b>	<b>462,995</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 477,223</b>	<b>\$ 474,188</b>

Approved on behalf of the Board:

  
 \_\_\_\_\_ Director  
 Aug. 31/17 \_\_\_\_\_ Date

DocuSigned by:  
  
 \_\_\_\_\_ Director  
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**CANADIAN HERO FUND****Statement of Operations and Changes in Net Assets  
Year ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Donations	\$ 47,067	\$ 109,547
Interest	2,938	1,905
(Loss) gain on foreign exchange	(133)	2,852
<b>Total revenues</b>	<b>49,872</b>	<b>114,304</b>
<b>Expenditures</b>		
Awards	35,400	60,000
Professional fees	5,934	4,025
Advertising and promotion	3,588	2,266
Fundraising costs	1,636	3,032
Office and general	846	773
Travel	51	-
<b>Total expenditures</b>	<b>47,455</b>	<b>70,096</b>
<b>Excess of revenues over expenditures for the year</b>	<b>2,417</b>	<b>44,208</b>
<b>Net assets, beginning of year</b>	<b>462,995</b>	<b>418,787</b>
<b>Net assets, end of year</b>	<b>\$ 465,412</b>	<b>\$ 462,995</b>

**CANADIAN HERO FUND**  
**Statement of Cash Flows**  
**Year ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures for the year	\$ 2,417	\$ 44,208
Net change in non-cash working capital items		
Accounts receivable	(531)	(4,702)
Accounts payable and accrued liabilities	618	(17)
	87	(4,719)
<b>Net increase in cash and cash equivalents</b>	<b>2,504</b>	<b>39,489</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>460,957</b>	<b>421,468</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 463,461</b>	<b>\$ 460,957</b>

## **NATURE OF OPERATIONS**

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.

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## **1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

### **(a) Cash and cash equivalents**

Bank balances, including bank overdrafts with balances that fluctuate from positive to *overdrawn*, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from date of acquisition.

### **(b) 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 expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

### **(c) Contributed services**

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

### **(d) Financial instruments**

#### **Measurement of financial instruments**

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at *amortized cost*, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred.

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

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

The organization has not designated any financial asset or financial liability to be measured at fair value.

**1. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(d) Financial instruments, continued**

**Impairment**

For financial assets measured at amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenditures.

**(e) Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the period covered. The main estimates relate to allowance for doubtful accounts.

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**2. FINANCIAL INSTRUMENTS**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

**(a) Credit risk**

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relate to its accounts receivable.

**(b) Liquidity risk**

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed mainly in respect to its accounts payable and accrued liabilities. The organization expects to meet these obligations as they become due by generating sufficient cash flow from operations.

**(c) 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. The organization is mainly exposed to currency risk.



**2. FINANCIAL INSTRUMENTS, continued**

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization holds cash in US dollars which is exposed to foreign exchange fluctuations. As of December 31, 2016 cash totaling \$7,936 (2015 - \$7,428) is denominated in US dollars and converted into Canadian dollars. Risk exposure changes as the volume of transactions change and also due to changes in exchange rates.

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