

**CANADIAN HERO FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012**

CANADIAN HERO FUND

**Financial Statements
December 31, 2012**

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AKLER, BROWNING, FRIMET & LANDZBERG LLP

CHARTERED ACCOUNTANTS

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, 2012, 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 organization'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 organization'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 completion of which is not susceptible to 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 operation for the year ended December 31, 2012 and 2011, or total assets and net assets as at December 31, 2012, December 31, 2011 and January 1, 2011.

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 organization as at December 31, 2012 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
June 21, 2013

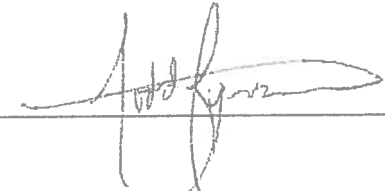
CANADIAN HERO FUND
Statement of Financial Position

| | December 31, 2012 | December 31, 2011 | January 1, 2011 |
|--|-------------------------|-------------------------|--------------------|
| Assets | | | |
| Current | | | |
| Cash | \$ 274,123 | \$ 179,033 | \$ 46,507 |
| Accounts receivable | 3,607 | 1,932 | 24,947 |
| Total Assets | \$ 277,730 | \$ 180,965 | \$ 71,454 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | \$ 4,885 | \$ 4,404 | \$ 2,679 |
| Fund Balances | | | |
| Net assets | 272,845 | 176,561 | 68,775 |
| Total Liabilities and Fund Balances | \$ 277,730 | \$ 180,965 | \$ 71,454 |

Approved on behalf of the Board:

 June 21, 2013 Director

 Date



 Director

CANADIAN HERO FUND
Statement of Operations and Changes in Net Assets
Year ended December 31, 2012

| | 2012 | 2011 |
|--|------------|------------|
| Revenues | | |
| Donations | \$ 152,203 | \$ 137,125 |
| Expenditures | | |
| Awards | 45,000 | 20,000 |
| Professional fees | 3,966 | 3,850 |
| Fundraising costs | 3,038 | 2,781 |
| Office and general | 2,547 | 871 |
| Travel | 1,368 | 1,837 |
| Total expenditures | 55,919 | 29,339 |
| Excess of revenues over expenditures for the year | 96,284 | 107,786 |
| Net assets, beginning of year | 176,561 | 68,775 |
| Net assets, end of year | \$ 272,845 | \$ 176,561 |

CANADIAN HERO FUND
Statement of Cash Flows
Year ended December 31, 2012

| | 2012 | 2011 |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess of revenues over expenditures for the year | \$ 96,284 | \$ 107,786 |
| Net change in non-cash working capital items | | |
| Accounts receivable | (1,675) | 23,015 |
| Accounts payable and accrued liabilities | 481 | 1,725 |
| | (1,194) | 24,740 |
| Net increase in cash | 95,090 | 132,526 |
| Cash, beginning of year | 179,033 | 46,507 |
| Cash, end of year | \$ 274,123 | \$ 179,033 |

1. 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.

2. 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) 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.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses.

The main estimates relate to the impairment of financial assets.

(c) Contributed services

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

(d) 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 cost or 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 net income.

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities.

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

Effective January 1, 2012, the organization elected to apply the standards in Part III of the CICA Accounting Handbook for not-for-profit organizations in accordance with Canadian Accounting Standards for Not-for-profit organizations.

These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out below have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and in the preparation of an opening balance sheet as at January 1, 2011, which is the organization's date of transition.

The organization previously issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by Part V of the CICA Handbook.

The adoption of ASNPO has had no impact on the previously reported assets, liabilities and net assets of the organization, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statement of operations and statement of cash flow. Certain of the organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of ASNPO.

4. 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 company's main credit risk relate to its accounts receivable. There has been no change to the risk exposure from the prior year.

(b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization's exposure is dependent on its ability to repay its trade creditors as payments become due. There has been no change to the risk exposure from the prior year.

(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. There has been no change to the risk exposure from the prior year.