

**CANADIAN HERO FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

CANADIAN HERO FUND
Financial Statements
December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Directors of the Canadian Hero Fund

Qualified Opinion

We have audited the financial statements of the Canadian Hero Fund, which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Canadian Hero Fund as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, Canadian Hero Fund derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Canadian Hero Fund and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2018, total assets and net assets as at December 31, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Canadian Hero Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Canadian Hero Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Canadian Hero Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

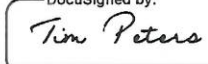
Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
December 24, 2019

CANADIAN HERO FUND
Statement of Financial Position
December 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 561,079	\$ 549,242
Accounts receivable	4,859	3,901
Total Assets	\$ 565,938	\$ 553,143
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 13,937	\$ 15,214
Fund Balances		
Net assets	552,001	537,929
Total Liabilities and Fund Balances	\$ 565,938	\$ 553,143

Approved on behalf of the Board:

DocuSigned by:

 _____ Director
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 12/24/2019 Date


 _____ Director

CANADIAN HERO FUND
Statement of Operations and Changes in Net Assets
Year ended December 31, 2018

	2018	2017
Revenues		
Donations	\$ 20,067	\$ 101,449
Interest	5,636	2,971
Gain (loss) on foreign exchange	871	(700)
Total revenues	26,574	103,720
Expenditures		
Awards	5,000	14,600
Professional fees	5,000	4,800
Office and general	1,119	7,643
Advertising and promotion	750	3,067
Fundraising costs	633	1,093
Total expenditures	12,502	31,203
Excess of revenues over expenditures for the year	14,072	72,517
Net assets, beginning of year	537,929	465,412
Net assets, end of year	\$ 552,001	\$ 537,929

CANADIAN HERO FUND
Statement of Cash Flows
Year ended December 31, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 14,072	\$ 72,517
Net change in non-cash working capital items		
Accounts receivable	(958)	9,861
Accounts payable and accrued liabilities	(1,277)	3,403
	(2,235)	13,264
Net increase in cash and cash equivalents	11,837	85,781
Cash and cash equivalents, beginning of year	549,242	463,461
Cash and cash equivalents, end of year	\$ 561,079	\$ 549,242

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.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting 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. Investment income is recorded on an accrual basis.

(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.

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, 2018 cash totalling \$7,936 (2017 - \$7,936) 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.
