

**HEART FOR AFRICA (CANADA)
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Heart for Africa (Canada)

Opinion

We have audited the accompanying financial statements of Heart for Africa (Canada) (the "Organization") which comprise the statement of financial position as at December 31, 2018 and the statement of operations, statement of changes in unrestricted net assets and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations..

Basis for Opinion

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 on our report. We are independent of the Organization 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 opinion.

Responsibilities of Management and Those Charged with Governance 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 Organization'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 Organization's financial reporting process.

Independent Auditor's Report
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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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Segal LLP's website at www.Segalllp.com. This description forms part of our Auditor's Report.

Segal LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 27, 2019

HEART FOR AFRICA (CANADA)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
Current		
Cash	<u>\$ 241,953</u>	<u>\$ 3,086</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 6,466	\$ 7,679
Deferred revenue - restricted contributions, note 3	<u>122,677</u>	<u>-</u>
	<u>129,143</u>	<u>7,679</u>
NET ASSETS (DEFICIENCY)		
Unrestricted net assets (deficiency)	<u>112,810</u>	<u>(4,593)</u>
	<u>\$ 241,953</u>	<u>\$ 3,086</u>

Approved on behalf of the Board:

_____ Director

_____ Director

See accompanying notes to the financial statements

HEART FOR AFRICA (CANADA)

STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Unrestricted deficiency, beginning of year	\$ (4,593)	\$ (2,197)
Excess (deficiency) of revenue over expenditures for the year	<u>117,403</u>	<u>(2,396)</u>
Unrestricted net assets (deficiency), end of year	<u>\$ 112,810</u>	<u>\$ (4,593)</u>

HEART FOR AFRICA (CANADA)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Revenue		
Donations, note 4	\$ 444,470	\$ 409,873
Expenditures		
Orphanage and children's programs, note 4	162,357	198,277
Project Canaan farm and facility, note 4	121,845	131,614
Program management, note 4	35,034	73,203
Professional fees	7,793	8,636
Bank charges	124	136
Office and general (recovery)	<u>(86)</u>	<u>403</u>
	<u>327,067</u>	<u>412,269</u>
Excess (deficiency) of revenue over expenditures for the year	<u>\$ 117,403</u>	<u>\$ (2,396)</u>

See accompanying notes to the financial statements

HEART FOR AFRICA (CANADA)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 117,403	\$ (2,396)
Changes in non-cash working capital balances:		
Increase (decrease) in accounts payable and accrued liabilities	(1,213)	2,179
Increase in deferred revenue - restricted contributions	<u>122,677</u>	<u>-</u>
Cash flows provided from (used in) operating activities	238,867	(217)
Cash, beginning of year	<u>3,086</u>	<u>3,303</u>
Cash, end of year	<u>\$ 241,953</u>	<u>\$ 3,086</u>

See accompanying notes to the financial statements

HEART FOR AFRICA (CANADA)

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

1. DESCRIPTION OF THE ORGANIZATION

Heart for Africa (Canada) (the "Organization") is a registered charity under the Income Tax Act (Canada) and as such, is a non-taxable entity. The Organization funds improvements to and operations of orphanages in Swaziland, including providing medical supplies and treatment, food and other basic needs of the orphans being cared for.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are initially recorded as deferred revenue and only recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

The Organization's financial instruments consist of cash and accounts payable and accrued liabilities. Cash is carried at fair value. Accounts payable and accrued liabilities is initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument or shorter, dependent upon the expected period of cash flow.

When there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets, measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

Estimates

The preparation of financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

HEART FOR AFRICA (CANADA)

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

3. DEFERRED REVENUE - RESTRICTED CONTRIBUTIONS

	Deferred revenue as at December 31, 2017	Restricted contributions received	Contributions recognized as revenue	Deferred revenue as at December 31, 2018
Orphanage and children's programs	\$ -	\$ 212,616	\$ (162,357)	\$ 50,259
Project Canaan farm and facility	-	164,616	(121,844)	42,772
Program management	-	55,139	(25,493)	29,646
	<u>\$ -</u>	<u>\$ 432,371</u>	<u>\$ (309,694)</u>	<u>\$ 122,677</u>

4. RELATED PARTY TRANSACTIONS

During the year, donations in the amount of \$372,404 (2017 - \$389,873) were received from Heart for Africa Foundation, a related organization by virtue of common governance.

The Organization works with Heart for Africa (Swaziland), a related organization by virtue of common governance, to operate the orphanage and farming programs. During 2018, the Organization supplied funding for the following programs:

	2018	2017
Orphanage and children's programs	\$ 162,357	\$ 198,277
Project Canaan farm and facility	121,845	131,614
Program management	35,034	73,203

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Transacting in financial instruments exposes the Organization to certain financial risks and uncertainties. These risks include:

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on ongoing contributions from donors or raising funds to meet commitments and sustain operations. The Organization controls liquidity risk by management and monitoring of working capital and cash flows. The exposure to this risk has not changed from the prior year.