

SAVE A CHILD'S HEART FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017

SAVE A CHILD'S HEART FOUNDATION

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors of:
Save A Child's Heart Foundation

Report on the Financial Statements

I have audited the accompanying financial statements of Save A Child's Heart Foundation which comprise the balance sheet as at December 31, 2017 and the statement of revenue and expenses and fund balances and the statement of 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 entity'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 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 statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many other charitable organizations, the organization derives part of its revenue from donations, and other revenues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my examination of revenue from these sources was limited to accounting for the amounts recorded in accounts of the organization, and I was not able to determine whether adjustments, if any, might be necessary to revenues, excess of revenue over expenditures, assets and fund balances.

Qualified Opinion

In my opinion, except for the effect 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, 2017 and its financial performance and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

May 28, 2018

Toronto, Canada

Jake Kuperhause

Chartered Professional Accountant
Licensed Public Accountant

SAVE A CHILD'S HEART FOUNDATION

BALANCE SHEET AS AT DECEMBER 31, 2017

	Note	2017	2016
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 260,493	\$ 237,428
Accounts receivable		37,670	15,768
Prepaid expenses		2,054	2,054
		300,217	255,250
Capital assets			
	4	1,306	1,633
		\$ 301,523	\$ 256,883
LIABILITIES & FUND BALANCES			
CURRENT			
Accounts payable and accrued liabilities		\$ 64,954	\$ 18,392
FUND BALANCES			
Operating fund		236,569	238,491
		\$ 301,523	\$ 256,883

Approved on Behalf of the Board

_____ Director

_____ Director

See accompanying notes

SAVE A CHILD'S HEART FOUNDATION

STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
REVENUES		1,471,230	\$ 1,351,236
PROGRAM EXPENSES	5		
Cardiac care		732,712	645,986
Medical education		214,503	185,633
Medical missions		55,632	218,633
Medical equipment		-	40,905
		1,002,847	1,091,157
OPERATING EXPENSES			
Salaries and wages		233,675	239,603
Fundraising		136,355	238,922
General and administrative		53,013	27,973
Community awareness		28,301	30,369
Professional and consulting fees		18,961	21,513
		470,305	558,380
TOTAL PROGRAM AND OPERATING EXPENSES		1,473,152	1,649,537
EXCESS OF EXPENSES OVER REVENUE		(1,922)	(298,301)
Operating fund, beginning of year		238,491	531,866
		236,569	233,565
Operating fund, end of year		236,569	238,491
Endowment fund, beginning of year		-	204,612
Income earned		-	4,627
Funds transferred, as per trust agreement	3	-	(209,539)
Endowment fund, end of year		\$ -	\$ -

See accompanying notes

SAVE A CHILD'S HEART FOUNDATION

Statement of Cash Flows

DECEMBER 31, 2017

	2017	2016
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ (1,922)	\$ (298,301)
Items not requiring an outlay of cash:		
Amortization	327	408
	(1,595)	(297,893)
CHANGES IN NON-CASH WORKING CAPITAL		
Account receivable	(21,902)	8,269
Accounts payable and accrued charges	46,562	462
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,065	(289,162)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,065	(289,162)
NET CASH AND CASH EQUIVALENTS, beginning of year	237,428	526,590
NET CASH AND CASH EQUIVALENTS, end of year	\$ 260,493	\$ 237,428

See accompanying notes

SAVE A CHILD'S HEART FOUNDATION

Notes to the Financial Statements

DECEMBER 31, 2017

1. INCORPORATION AND OBJECTS

Save A Child's Heart Foundation (Organization), was incorporated under the Canada Corporation Act as a corporation without share capital on December 15, 1999 and continued under the Canada Not-for-Profit Corporations Act on June 6, 2014. The Organization is a charitable organization under the Income Tax Act. The Objects of the Organization were amended on March 3, 2018 and are:

- (a) To promote health by providing medical and surgical care and treatment to children and other individuals in need;
- (b) To advance education by providing medical and surgical educational programs to health care professionals and others;
- (c) To provide equipment, supplies, and facilities for the provision of medical and surgical care and treatment to children and others; and
- (d) To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to qualified donees as defined in subsection 149.1(1) of the Income Tax Act (Canada).

Prior to March 3, 2018 the objects of the organization were as follows:

To provide and support the provision of medical care to, and the treatment of, children from developing countries requiring medical care and treatment which may not be available or accessible in their homeland; to promote and support medical research to aid children from developing countries; and to promote and support the advancement of education and training of persons from developing countries in medicine and medical research in order to enable them to acquire and develop skills and other resources to provide medical care and treatment to children in developing countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. Canadian accounting standards for not-for-profit organizations are part of Canadian generally accepted accounting principles. Outlined below are those policies considered significant by the company.

- (a) Revenue
Donations are recorded as income on a cash basis.
- (b) Expenses
All expenditures are recorded on an accrual basis of accounting.
- (c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

SAVE A CHILD'S HEART FOUNDATION

Notes to the Financial Statements

DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial Instruments

It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of these financial instruments approximates their carrying values.

(e) Fund Accounting

(i) The Organization follows the deferral method of accounting for contributions.

(ii) The endowment fund includes resources allocated by or contributed to the Organization for endowment purposes. Income of the endowment fund is reported on the statement of revenue and expenses and fund balances. It is the intent of the Organization to only distribute the income of the fund to programs. However should the operating fund not have sufficient resources to fund programs the organization may make capital distributions of unrestricted resources of the endowment fund to programs as it deems appropriate. Endowment fund resources subject to certain Trust Agreement arrangements do not appear on the Balance Sheet of the Organization. Refer also to Note 3 below.

(iii) The operating fund includes all contributions and expenses as well as increases or decreases in capital assets and amortization with respect to the operation of the Organization.

(f) Contributed Materials and Services

The Organization receives substantial contributed materials and services in support of its activities. The Organization has elected not to recognize the value of these contributed materials and services in the financial statements.

(g) Cash and cash equivalents

The Organization's policy is to present cash and money market securities consisting of guaranteed investment certificates with terms to maturity of 90 days or less from the date of acquisition under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

(h) Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Office furniture and equipment	20% diminishing balance method
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(i) Comparative figures

Certain prior year figures have been reclassified to conform to the current year's basis of presentation.

SAVE A CHILD'S HEART FOUNDATION

Notes to the Financial Statements

DECEMBER 31, 2017

3. ENDOWMENT FUND

In 2016 the Organization entered into a Trust Agreement with the United Jewish Welfare Fund of Toronto(UJWF) and \$209,539 was transferred to them. This was done in order to benefit from UJWF's experience and economies of scale in the investment and administration of these funds. UJWF invests these resources in accordance with the terms of its investment policy and charges the fund 1% for administrative maintenance. The organization may receive minimum distributions of capital to comply with certain regulatory requirements. The Organization may also receive an annual distribution of investment income at its discretion. Any undistributed income will accumulate and add to the capital of this fund. As per the terms of the Trust Agreement, these resources no longer appear on the Balance Sheet of the Organization. The Organization may cancel this trust agreement arrangement, at its discretion, and have these funds returned to its custody. Refer also to Summary of Significant Accounting Policies Note 2(e)(ii) .

The increase in value of the Endowment fund over the year is comprised of earnings (which are net of administration fees) totaling \$11,466 and unrealized gains of \$8,416.

Fair Market Value of Fund at December 31st:	2017	2016
	<u>\$229,422</u>	<u>\$209,539</u>

4. CAPITAL ASSETS

	Cost	Amortization	Net 2017	Net 2016
Office furniture and equipment	\$ 5,629	\$ 4,323	\$ 1,306	\$ 1,633

5. PROGRAM EXPENSES

Program expenses particularize the funds transferred to Save a Child's Heart Israel pursuant to the terms of a Contractor Agreement between the Organization and Save a Child's Heart Israel. The Contractor Agreement sets out the terms under which Save A Child's Heart Israel assists in the administration and implementation of the charitable activities of the Organization. Any funds transferred by the Organization to Save A Child's Heart Israel are used only for the projects described in the Contractor Agreement.

SAVE A CHILD'S HEART FOUNDATION

Notes to the Financial Statements

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6. DONOR GIFT

During the year, the Organization entered into an Agreement with a Donor to receive \$US10 million over 2 years beginning in 2018. The funding will go towards equipping and related fitting of a Pediatric Operating Facility that will be established in a new children's hospital currently being built in the Wolfson Medical Center, Holon Israel, in cooperation with Save A Child's Heart Israel. \$US 3 million is scheduled to be received in 2018. The remaining \$US 7 million is to be received in 2019.