SAVE A CHILD'S HEART FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019

SAVE A CHILD'S HEART FOUNDATION

DECEMBER 31, 2019

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

I have audited the accompanying financial statements of Save A Child's Heart Foundation, which comprise the balance sheet as at December 31, 2019 , and the statement of revenue and expenses and fund balances, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph below, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2019 and its financial performance and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Save A Child's Heart Foundation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 Save A Child's Heart Foundation'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 Save A Child's Heart Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Save A Child's Heart Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 Save A Child's Heart Foundation'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 Save A Child's Heart Foundation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Save A Child's Heart Foundation 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.

I 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 I identify during my audit.

June, 15, 2020

Jake Kuperhause

Toronto, Canada

Chartered Professional Accountant
Licensed Public Accountant

SAVE A CHILD'S HEART FOUNDATION

BALANCE SHEET

AS AT DECEMBER 31, 2019

	Note	2019	2018
ASSETS			
CURRENT			
Cash and cash equivalents		$ 6,808,827	$ 4,543,348
Accounts receivable		70,525	62,400
Prepaid expenses		2,054	2,054
		6,881,406	4,607,802
Capital assets	5	-	1,045
		$ 6,881,406	$ 4,608,847
LIABILITIES & FUND BALANCES			
CURRENT			
Accounts payable and accrued liabilities		$ 34,973	$ 108,018
Deferred revenue	7	6,001,627	3,776,075
		6,036,600	3,884,093
		6,036,600	3,884,093
FUND BALANCES			
Operating fund		844,806	724,754
		$ 6,881,406	$ 4,608,847

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, 2019

	Note	2019	2018
REVENUES	7	$ 5,792,272	$ 3,084,782
PROGRAM EXPENSES	6		
Pediatric operating facility		3,504,580	634,104
Cardiac care		1,132,379	1,014,015
Medical missions		277,345	198,250
Medical equipment		211,172	-
Medical education		60,386	162,975
		5,185,862	2,009,344
OPERATING EXPENSES			
Salaries and wages		289,940	294,811
Fundraising		117,933	295,502
General and administrative		92,337	102,458
Professional and consulting fees		14,933	37,790
Community awareness		13,522	19,476
		528,665	750,037
TOTAL PROGRAM AND OPERATING EXPENSES		5,714,527	2,759,381
FOREIGN EXCHANGE GAINS	7	24,119	116,081
INTEREST INCOME		18,188	46,703
EXCESS OF REVENUE OVER EXPENSES		120,052	488,185
Operating fund, beginning of year		724,754	236,569
		844,806	724,754
Operating fund, end of year		**844,806**	**724,754**
Endowment fund, beginning of year		-	-
Contribution to Endowment Fund		-	21,302
Funds transferred, as per trust agreement	4	**-**	**(21,302)**
Endowment fund, end of year		**$ -**	**$ -**

See accompanying notes

SAVE A CHILD'S HEART FOUNDATION

Statement of Cash Flows

DECEMBER 31, 2019

		2019		2018
CASH PROVIDED BY OPERATING ACTIVITIES				
Excess of revenue over expenses	$	120,051	$	488,185
Items not requiring an outlay of cash:				
Amortization		1,045		261
		121,096		488,446
CHANGES IN NON-CASH WORKING CAPITAL				
Account receivable		(8,126)		(24,730)
Accounts payable and accrued charges		(73,043)		43,065
Deferred revenue		2,225,552		3,776,075
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,265,479		4,282,856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,265,479		4,282,856
NET CASH AND CASH EQUIVALENTS, beginning of year		4,543,348		260,492
NET CASH AND CASH EQUIVALENTS, end of year	$	6,808,827	$	4,543,348

See accompanying notes

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).

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. Other revenues are recorded on an accrual basis of accounting.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Translation of Foreign Currencies

Monetary balance sheet items are translated at the rates of exchange in effect at year end. Non-monetary items are translated at the rate of exchange when the assets were acquired or the obligations were incurred. Revenue and expenses are translated at the exchange rates in effect on the transaction dates or at the average rate during the period. Foreign exchange gains or losses are included in the statement of revenue and expenses and fund balances.

(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 4 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 cashable investment certificates with terms to maturity of one year 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

(i) Comparative Figures

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Organization's risk management policies are established to identify and analyse the risks faced by the Organization, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Organization's activities. There have been no changes to the Organization's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, policies and processes in the management of its financial instruments from that of the prior reporting period.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant risks arising from financial instruments.

Fair value

The fair value of the Organization's financial instruments approximates carrying value due to the immediate or short-term maturity of these instruments or interest rates and other terms that approximate those available in the current market, except for instruments due to or from related parties, the fair values of which cannot be reasonably established as no active and visible markets exist for instruments of these types.

Liquidity risk

The Organization is exposed to liquidity risk to the extent that it must meet its financial obligations as they fall due. The Organization's approach to managing liquidity risk is to ensure that it has sufficient cash and other current financial assets to meet its obligation when due without incurring losses or damage to the Organization's reputation. Management forecast cash flows to identify financing requirements. These requirements are then addressed through cash management strategies. As at December 31, 2019 the Organization had current financial instrument liabilities of $34,973 (2018 $108,018) due within twelve months, in addition to its other current liabilities.

Credit risk

Concentration of credit risk relates primarily to the Organization's accounts receivable. These receivables mainly comprise amounts due from individuals or organizations with respect to fundraising activities and amounts due with respect to HST rebates from the Canada Revenue Agency. At December 31, 2019, accounts receivable amounted to $70,525 (2018 $62,400). Management believes that earning revenues through its current transaction channels does not represent a significant risk to the Organization.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its floating interest rate financial instruments. The Organization does not employ hedging strategies to mitigate the effect of this risk.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(continued)

Foreign currency risk

The Organization's activities, from time to time, may involve holding foreign currency assets and liabilities and revenues and purchases which are denominated in foreign currencies.

The financial risk to the Organization's earnings arises from the the fluctuations in foreign exchange rates and the degree of volatility of these rates. During the year ended December 31, 2019 Organization had foreign exchange gains of $24,119 (2018 $116,081) arising from fundraising activities denominated in foreign currencies. As at December 31, 2019 the Company's net assets denominated in foreign currencies, comprising certain cash and short-term investment balances amounted to approximately $5,054,888 (2018 $3,333,934) denominated in Canadian dollars. The Organization does not employ hedging strategies to mitigate the effect of currency risks.

4. ENDOWMENT FUND

The Organization has a Trust Agreement with the United Jewish Welfare Fund of Toronto (UJWF). The purpose of this Trust Agreement is 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).

	2019	2018
Fair Market Value of Fund at December 31st:		
	$252,963	$244,308

5. CAPITAL ASSETS

	Cost	Amortization	Net 2019	Net 2018
Office furniture and equipment	$ 5,629	$ 5,629	$ -	$ 1,045

6. PROGRAM EXPENSES

Program expenses particularize the costs incurred and paid 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 paid by the Organization to Save A Child’s Heart Israel are used only for the projects described in the Contractor Agreement.

7. PEDIATRIC OPERATING FACILITY

During 2017, the Organization entered into an agreement with a donor to receive $US 10,000,000 to fund equipment for a new children’s hospital (“the Project”) currently being built in cooperation with Save A Child’s Heart Israel. $US 3,000,000 was received in 2018. $US 4,000,000 was received during 2019. The remaining $US 3,000,000 is to be received in 2020.

During 2018, the Organization entered into an agreement with a second donor for the Project. During the year, the Organization received $CDN 499,000 from this donor (2018 $CDN 602,000). The total donation from this second donor has been $CDN 1,101,000 for this Project.

As a result of these donations, $CDN 6,001,627 has been recognized as Deferred Revenue in these financial statements. Approximately $CDN 3,505,000 was spent towards the Project in 2019 and has been recognized as revenue in the current year.

The Organization entered into a Co-Operative Participant Agreement with Save A Child’s Heart Israel and Wolfson Medical Center to govern the Project. The equipment is contracted to be purchased in Euros and USD and at year end a foreign exchange gain of $CDN 24,119 has been realized and has been reflected in these financial statements.

8. SUBSEQUENT EVENTS

Subsequent to year end, coronavirus COVID-19 became a global pandemic and resulted in unprecedented actions taken by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility in not-for-profit organizations, and have had an enormous impact on businesses and consumers in all sectors. The outcome and timeframe is highly unpredictable and as such, its impact cannot be estimated on the Organization’s future financial results.