

HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE

Financial Statements

Year Ended December 31, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of Hearts and Hands Foundation for Humanitarian Assistance

We have reviewed the accompanying financial statements of Hearts and Hands Foundation for Humanitarian Assistance (the Foundation) that comprise the statement of financial position as at December 31, 2020, and the statements of operations, 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 (ASNPO), 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2020, current assets and net assets as at December 31, 2020. Our review conclusion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Hearts and Hands Foundation for Humanitarian Assistance as at December 31, 2020, 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 (ASNPO).

Lockwood Doyle Professional Corporation

Canmore, AB
August 30, 2021

Chartered Professional Accountants

HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE
Statement of Financial Position
December 31, 2020

	2020	2019 <i>(Revised)</i>
ASSETS		
CURRENT		
Cash	\$ 40,373	\$ 38,513
Other receivables	695	-
Goods and services tax recoverable	426	311
Prepaid expenses	673	-
	\$ 42,167	\$ 38,824
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 3,059	\$ 2,084
Deferred contributions <i>(Note 4)</i>	41,815	26,863
	44,874	28,947
 NET ASSETS (LIABILITIES)		
Unrestricted	(2,707)	9,877
	\$ 42,167	\$ 38,824

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE**Statement of Operations
Year Ended December 31, 2020**

	2020	2019 <i>(Revised)</i>
REVENUES		
Restricted donations	\$ 45,633	\$ 61,936
Fundraising	17,621	13,276
Undesignated donations	11,488	10,745
Interest income	116	269
	74,858	86,226
EXPENSES		
Advertising and promotion	373	231
Fundraising expenses	717	4,375
Insurance	485	1,158
Interest and bank charges	224	155
Office and general	1,327	1,066
Professional fees	2,514	1,948
Sub-contracts	32,744	24,269
Travel	-	229
	38,384	33,431
EXCESS OF REVENUES OVER EXPENSES BEFORE DONATIONS	36,474	52,795
DONATIONS	(49,058)	(67,122)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (12,584)	\$ (14,327)

See notes to financial statements

HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE
Statement of Changes in Net Assets
Year Ended December 31, 2020

	Unrestricted	Restricted	2020	2019 <i>(Revised)</i>
NET ASSETS - BEGINNING OF YEAR	\$ 9,877	\$ -	\$ 9,877	\$ 24,204
Excess (deficiency) of revenues over expenses	(12,584)	-	(12,584)	(14,327)
NET ASSETS (LIABILITIES) - END OF YEAR	\$ (2,707)	\$ -	\$ (2,707)	\$ 9,877

See notes to financial statements

HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019 <i>(Revised)</i>
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (12,584)	\$ (14,327)
Changes in non-cash working capital:		
Other receivables	(695)	808
Accounts payable	975	88
Deferred contributions	14,952	19,076
Prepaid expenses	(673)	-
Goods and services tax payable	(115)	(14)
	14,444	19,958
INCREASE IN CASH FLOW	1,860	5,631
Cash - beginning of year	38,513	32,882
CASH - END OF YEAR	\$ 40,373	\$ 38,513

HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE

Notes to Financial Statements

Year Ended December 31, 2020

1. NATURE OF OPERATIONS

The Hearts and Hands Foundation for Humanitarian Assistance (the Foundation) was incorporated on January 24, 2005 under the Alberta Societies Act to provide funds for the implementation of sustainable projects and programs to improve health and educational standards in developing countries. The Foundation is a registered charity under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Cash and cash equivalents

Cash and cash equivalents consist of bank balances in chequing and savings accounts.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions (includes donations and fundraising) are recognized as revenue when received or receivable if the amount to be received can be easily estimated and collection is reasonably assured.

Interest income is recognized on a time proportion basis.

Tangible capital assets

Tangible capital assets are expensed on acquisition.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Income taxes

The Foundation qualifies as a charitable organization and is exempt from income tax pursuant to section 149(1)(f) of the Income Tax Act of Canada.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

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HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed goods and services

Contributed goods and services are recognized in the financial statements at the fair market value of the goods and services received.

The work of the Foundation is accomplished by a significant contribution of voluntary services. Due to the difficulty in determining their fair value, contributed services by volunteers are not recognized in the financial statements.

3. PRIOR PERIOD ADJUSTMENT

The Foundation learned that some restricted donations were were accounted for as undesignated donations in the previous year when they should have been recognized as deferred contributions. As a result, the unrestricted net assets balance as at January 1, 2020 was decreased by \$11,269 and the 2019 financial statements were restated. The line item "undesignated donations" and the excess of revenues over expenses in the 2019 statement of operations were decreased by \$11,269, and deferred contributions increased by the same amount.

4. DEFERRED CONTRIBUTIONS

Deferred contributions consists of unspent resources that are externally restricted for trips, stoves, scholarships and other programs, and restricted operating funding received in the current period that is related to the subsequent period. Changes in the deferred contributions balance are as follows:

	2020	2019 <i>(Revised)</i>
Balance, beginning of year	\$ 26,863	\$ 7,787
Less amounts recognized as revenue in the year	(17,420)	(6,787)
Add amounts received related to the following year	32,372	25,863
Balance, end of year	<u>\$ 41,815</u>	<u>\$ 26,863</u>

5. FINANCIAL INSTRUMENTS

The carrying values of the Foundation's financial instruments, comprising cash, other receivables and accounts payable, approximate their fair values. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant credit, interest rate, liquidity or market risks arising from these financial instruments.

The following provides information about the Foundation's risk exposure as of December 31, 2020:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a significant loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk on its cash and receivables. Credit risk associated with cash is minimized substantially by ensuring that cash is held at major financial institutions. The Foundation's policy is not to record accounts receivable unless collection is reasonably assured.

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HEARTS AND HANDS FOUNDATION FOR HUMANITARIAN ASSISTANCE

Notes to Financial Statements

Year Ended December 31, 2020

5. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Foundation is exposed to interest rate risk due to fluctuations in the market interest rates it earns on cash and investments. The Foundation does not use financial instruments to reduce its interest rate exposure.

6. TANGIBLE CAPITAL ASSETS

No tangible capital assets were purchased during the year (2019: none).

7. IMPACT OF COVID-19 PANDEMIC

In March 2020, the COVID-19 pandemic created significant uncertainty in the general economy and resulted in governments worldwide enacting emergency measures to control the spread of the virus. The effect on the Foundation has been significant, resulting in reduced activity in many programs and initiatives. However, given the uncertainty which remains around COVID-19 vaccination programs and variants, and there is a risk a material impact could affect the Foundation's revenue and/or operations in the 2021 fiscal year and beyond.
