

**HEART-LINKS LAZOS DE CORAZON
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

**HEART-LINKS LAZOS DE CORAZON
INDEX TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

	Page
INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 9

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Heart-Links Lazos de Corazon

We have reviewed the accompanying financial statements of Heart-Links Lazos de Corazon (the organization) that comprise the statement of financial position as at December 31, 2023, and the statements of revenues and expenditures, 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 organization 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 organization. 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, 2023, current assets and net assets as at December 31, 2023. Our review conclusion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation of scope.

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Independent Practitioner's Review Engagement Report to the Members of Heart-Links Lazos de Corazon
(continued)

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 Heart-Links Lazos de Corazon as at December 31, 2023, 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).

London, Ontario
April 12, 2024

Valente CPA's LLP

Chartered Professional Accountants
Licensed Public Accountants



**HEART-LINKS LAZOS DE CORAZON
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 45,439	\$ 42,453
Prepaid expenses	-	437
	45,439	42,890
MARKETABLE SECURITIES (Note 4)	305,354	338,980
	\$ 350,793	\$ 381,870
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,150	\$ 4,903
Government remittances payable	491	164
Deferred contributions	1,000	1,000
	5,641	6,067
NET ASSETS		
Unrestricted general fund	345,152	375,803
	\$ 350,793	\$ 381,870

See notes to financial statements

HEART-LINKS LAZOS DE CORAZON
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2023

	2023	2022
REVENUES		
Donations - regular	\$ 99,389	\$ 75,723
Fundraising and special events	350	2,411
	99,739	78,134
EXPENSES		
Fund development	3,151	1,649
Insurance	1,673	1,341
Interest and bank charges	759	903
Investment management fees	1,598	1,935
Meetings and conventions	303	934
Office expenses	766	1,982
Peru programs	110,237	76,045
Professional fees	4,766	6,513
Public engagement	342	480
Rent	4,749	7,244
Telephone	271	270
Training	45	-
Wages and benefits	33,911	29,133
	162,571	128,429
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	(62,832)	(50,295)
OTHER INCOME (EXPENSES)		
Realized gains on sale of marketable securities	18,794	2,267
Unrealized gain (loss) on marketable securities	844	(49,714)
Interest income	-	20
Investment income	12,543	10,974
	32,181	(36,453)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (30,651)	\$ (86,748)

See notes to financial statements

**HEART-LINKS LAZOS DE CORAZON
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023**

	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 375,803	\$ 462,551
DEFICIENCY OF REVENUES OVER EXPENSES	(30,651)	(86,748)
NET ASSETS - END OF YEAR	\$ 345,152	\$ 375,803

HEART-LINKS LAZOS DE CORAZON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (30,651)	\$ (86,748)
Items not affecting cash:		
Realized gains on disposal of investments	(18,794)	(2,267)
Unrealized gains (losses) on marketable securities	(844)	49,714
	(50,289)	(39,301)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	(753)	1,450
Prepaid expenses	437	(437)
Government remittances recoverable	327	(1,547)
	11	(534)
Cash flow used by operating activities	(50,278)	(39,835)
INVESTING ACTIVITIES		
Purchase of marketable securities	(31,073)	(32,223)
Proceeds from sale of marketable securities	84,337	82,507
Cash flow from investing activities	53,264	50,284
INCREASE IN CASH FLOW	2,986	10,449
Cash - beginning of year	42,453	32,004
CASH - END OF YEAR	\$ 45,439	\$ 42,453

See notes to financial statements

HEART-LINKS LAZOS DE CORAZON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

1. PURPOSE OF THE ORGANIZATION

Heart-Links Lazos de Corazon (the "organization") is a not-for-profit organization of Ontario. The organization was incorporated by Letters Patent under the Canada Corporations Act on October 9, 2002 and received a Certificate of Continuance for transition under the Canada Not-for-profit Corporations Act on June 30, 2014.

The organization is a registered charity and is exempt from the payment of income taxes under the Income Tax Act.

The organization acts as an agency to relieve poverty, distress and suffering in Peru and other developing regions of the world and to empower people to develop sustainable livelihoods.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value with any unrealized gains and losses reported in operations. All other financial instruments are reported at carrying value and approximate fair market value at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and cash equivalents

Cash includes cash on hand and on deposit, less cheques issued and outstanding at the reporting date.

Investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Property, plant and equipment

Property, plant and equipment is expensed at the time of purchase. As such, no property, plant and equipment is recorded on the statement of financial position. If the policy was to capitalize and amortize property, plant and equipment, the major categories would consist of computers and furniture and fixtures.

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HEART-LINKS LAZOS DE CORAZON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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

Revenue recognition

Heart-Links Lazos de Corazon follows the deferral method of accounting for contributions.

Externally restricted contributions are 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.

Investment income is recognized as revenue when earned.

Donations, fundraising and special events receipts are recorded only as received. Pledges for donations which may be received in future periods are not reflected in these financial statements.

Contributed services

The operations of the organization depend on the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

Measurement uncertainty

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in operations in the period in which they become known. Actual results could differ from these estimates.

4. INVESTMENTS

	2023	2023	2022	2022
	Cost	Market value	Cost	Market value
Fixed income	\$ 80,323	\$ 75,460	\$ 81,821	\$ 74,913
Preferred shares	33,476	25,679	33,476	24,305
Equities	115,949	189,769	163,667	239,762
Multi-asset	14,755	14,446	-	-
	\$ 244,503	\$ 305,354	\$ 278,964	\$ 338,980

5. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2023.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. To minimize the risk, the organization forecasts its cash needs on a regular basis and seeks additional funding based on the forecasts.

(b) Market risk

(continues)

**HEART-LINKS LAZOS DE CORAZON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

5. FINANCIAL INSTRUMENTS *(continued)*

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 rate risk, interest rate risk and other price risk.

(c) Currency risk

Currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. A portion of the organization's cash and investment portfolio totaling \$50,839 (\$43,604 in 2022) are denominated in US dollars. Additionally, the organization is exposed to fluctuations in the currency of Peru (Nuevos Soles) in connection with its support for Peru programs.

(d) 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. Some of the organization's investments are invested in assets bearing fixed interest rates which subject the organization to a fair value risk. The organization expects to renew these investments at market rates as they mature. Accordingly, the organization's interest rate is dependent upon future market rates.

(e) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its equity securities in the investment portfolio. The board of directors and finance committee monitor the economy and market conditions regularly and adjust the organization's policy on composition of the investment portfolio accordingly. Currently, the policy is to keep equity securities between 20% to 60% of the investment portfolio.

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

6. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
