LION HEARTS INC.

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022

WILKINSON

LION HEARTS INC.

TABLE OF CONTENTS

AS AT DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lion Hearts Inc.

Qualified Opinion

We have audited the financial statements of Lion Hearts Inc. (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statements of net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue in the form of donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether, as at and for the years ended December 31, 2022 and December 31, 2021, any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenditures, assets and net assets.

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 of 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 qualified opinion

Emphasis of Matter

These financial statements were initially issued with our independent auditor's report dated August 14, 2023 attached thereto. As further disclosed in Note 2 to these financial statements, the financial statements have been revised and reissued to correct an understatement of receipted in-kind donations and program expenses.

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 these 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
(CONT'D)**

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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 the Organization'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 the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

We 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 we identify during our audit.

Wilkinson & Company LLP

BELLEVILLE, Canada
August 14, 2023
(Reissued June 24, 2025 - Note 2)

Chartered Professional Accountants
Licensed Public Accountants

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LION HEARTS INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

	2022	2021
	$	$
ASSETS		
CURRENT		
Cash	**512,105**	261,628
Donations and grants receivable	**41,076**	23,638
HST receivable	**99,935**	38,531
Prepaid expenses	**46,506**	87,194
	699,622	410,991
LONG-TERM		
Endowment Fund - Note 4	**18,786**	20,250
TANGIBLE CAPITAL ASSETS - at cost less accumulated amortization - Note 5	**632,997**	104,770
	1,351,405	536,011
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**137,895**	45,583
Government remittances payable	**16,502**	6,856
Deferred contributions - Note 6	**293,750**	160,847
Current portion of long-term debt - Note 7	**60,000**	12,902
	508,147	226,188
LONG-TERM		
Loans payable - Note 7	**60,000**	72,902
Deferred contributions related to tangible capital assets - Note 8	**236,876**	77,115
	296,876	150,017
Less: Current portion included above - Note 7	**(60,000)**	(12,902)
	236,876	137,115
	745,023	363,303
NET ASSETS		
Investment in tangible capital assets - Note 9	**396,121**	27,655
Endowment Fund - Note 4	**18,786**	20,250
Unrestricted Fund	**191,475**	124,803
	606,382	172,708

COMMITMENTS - Note 10

APPROVED ON BEHALF OF THE BOARD

______________________________ Director

______________________________ Director

	2022	2021
	1,351,405	536,011

The accompanying notes form an integral part of these financial statements

LION HEARTS INC.
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022				
	Invested in Tangible Capital Assets $	**Unrestricted Fund $**	**Endowment Fund $**	**Total $**	2021 $
NET ASSETS - BEGINNING OF YEAR	**27,655**	**124,803**	**20,250**	**172,708**	181,878
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE UNDERNOTED		**486,768**		**486,768**	(2,342)
PURCHASE OF TANGIBLE CAPITAL ASSETS	**567,845**	**(567,845)**		**NIL**	NIL
DEFERRED CONTRIBUTIONS RELATING TO TANGIBLE CAPITAL ASSETS	**(147,749)**	**147,749**		**NIL**	NIL
AMORTIZATION OF DEFERRED CONTRIBUTIONS RELATING TO TANGIBLE CAPITAL ASSETS	**34,888**			**34,888**	4,903
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	**(86,518)**			**(86,518)**	(21,981)
	368,466	**66,672**	**NIL**	**435,138**	(19,420)
ENDOWMENT CONTRIBUTIONS	**NIL**	**NIL**	**NIL**	**NIL**	10,250
UNREALIZED LOSS ON ENDOWMENT FUND	**NIL**	**NIL**	**(1,464)**	**(1,464)**	NIL
NET ASSETS - END OF YEAR	**396,121**	**191,475**	**18,786**	**606,382**	172,708

LION HEARTS INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	$	$
REVENUE		
Canada Helps donations	**241,725**	278,210
Donations and fundraising	**327,079**	331,136
Receipted in-kind donations	**483,314**	24,975
Grants		
United Way	**502,965**	200,000
Other	**597,219**	111,262
Program income	**244,465**	
Temporary Wage Subsidy		1,375
	2,396,767	946,958
EXPENDITURES		
Advertising and promotion	**26,275**	22,954
Communication expenses	**39,199**	7,308
Community garden	**5,071**	22,581
Donations to other registered charities	**45,900**	31,200
Honorariums	**5,000**	
Insurance	**33,693**	31,131
Interest and service charges	**11,406**	12,320
Interest on long-term debt	**913**	1,441
Miscellaneous		277
Occupancy costs	**244,826**	20,268
Office supplies	**16,002**	7,116
Professional fees	**47,660**	28,071
Program expenses	**850,066**	511,793
Travel and meals	**44,008**	14,867
Vehicle expenses	**61,222**	28,347
Wages and benefits	**478,758**	209,626
	1,909,999	949,300
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE UNDERNOTED	**486,768**	(2,342)
Amortization of deferred contributions relating to tangible capital assets	**34,888**	4,903
Amortization of tangible capital assets	**(86,518)**	(21,981)
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	**435,138**	(19,420)

LION HEARTS INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 **$**	2021 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures (expenditures over revenue) for year	**435,138**	(19,420)
Adjustment for items which do not affect cash -		
Amortization of tangible capital assets	**86,518**	21,981
Amortization of deferred contributions relating to tangible capital assets	**(34,888)**	(4,903)
	486,768	(2,342)
Net change in non-cash working capital balances related to operations - Note 11	**196,707**	38,565
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	**683,475**	36,223
INVESTING ACTIVITIES		
Contributions to long-term investments		10,250
Purchase of tangible capital assets	**(567,845)**	(32,671)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(567,845)**	(22,421)
FINANCING ACTIVITIES		
Increase in CEBA loan payable		60,000
Repayment of loan payable	**(12,902)**	(16,299)
Deferred contributions relating to tangible capital assets	**147,749**	65,000
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	**134,847**	108,701
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	**250,477**	122,503
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**261,628**	139,125
CASH AND CASH EQUIVALENTS - END OF YEAR	**512,105**	261,628
REPRESENTED BY:		
Cash	**512,105**	261,628

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. PURPOSE OF THE ORGANIZATION

The purpose of the Organization is to improve the situation for marginalized and disenfranchised citizens in Eastern Ontario through the following programs:

- Operating a Community Food Redistribution Warehouse (CFRW), which redistributes surplus food, donated clothing, household goods, and hygiene supplies from local businesses to front-line agencies providing services to those experiencing food insecurity
- Embassy Live Music Cafes, which bring together a cross-section of people in a venue that is safe and non-judgmental
- FAST 101 (Fight Against Sex Trafficking), which provides education and resources to those who are in the primary demographic to be trafficked and who provide assistance to those who may be targeted for trafficking
- Operating a "Warming Centre" in Kingston, which offers short-term emergency shelter with a hot meal and grab-and-go snacks, along with warm clothing and hygiene supplies.
- Operating a Vocational Program in Kingston, which provides training to individuals to teach skills to succeed in the workplace.

The Organization is an unincorporated registered charity under the Income Tax Act of Canada and as such is exempt from income taxes.

2. REISSUANCE OF FINANCIAL STATEMENTS

Subsequent to the issuance of the financial statements with an Independent Auditor's Report date of August 14, 2023, it was noted that receipted in-kind donations and program expenses had been understated on the statement of operations. The aggregate income for the year is not impacted.

As a result of these understatements, these financial statements have been revised and reissued as follows:

	2022 As previously reported $	2022 Revision $	**2022 Reissued $**
Statement of Operations			
Receipted in-kind donations	23,617	459,697	**483,314**
Program expenses	390,369	459,697	**850,066**

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by the Organization considered to be particularly significant:

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Accounting 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

(c) Tangible Capital Assets and Amortization

Purchased tangible capital assets are recorded at acquisition cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of a piece of tangible capital assets are capitalized. When the tangible capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. Any gains or losses on disposal are charged to operations in the year of disposition.

Tangible capital assets are amortized on a declining balance basis using the following annual rates:

Asset	**Rate**
Furniture and equipment	20%
Vehicles	20%
Computer equipment	55%
Leasehold improvements	20%

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. ACCOUNTING POLICIES (Cont'd)

(d) Revenue Recognition

(i) Donations and fundraising

The Organization uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period 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.

(ii) Grants

The Organization receives grants from various agencies under agreements. Grants are recorded as revenue in the period to which they relate. Grants earned but not received at year end are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Grants received relating to direct funding of tangible capital assets are recognized in accordance with Note 3(d)(iii) below.

(iii) Deferred Contributions Relating to Tangible Capital Assets

Contributions received relating to the purchase of tangible capital assets are deferred and amortized over future periods. The amortization period is based on the period used to amortize the corresponding tangible capital assets.

(iv) Contributed Services

Volunteers contribute significant time each year to assist the Organization in carrying out its service delivery activities. However, due to the difficulty of determining the fair value, these contributed services are not recognized in the financial statements.

(v) Donations in Kind

Donations in kind of tangible capital assets and materials are recorded at fair market value when the value can be reasonably estimated, the Organization would have paid for the item if it had not been donated and the amount is receipted. The amounts are recognized as both revenue and expenditures when received.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. ACCOUNTING POLICIES (Cont'd)

(d) Revenue Recognition (Cont'd)

(vi) Endowment

The Endowment Fund accounts for donations designated for Endowment. The investment earnings of endowment funds are to be used for purposes outlined by the Community Foundation for Kingston & Area and are recognized as a direct increase or decrease in net assets. The Annual Distributable Earnings from the fund are to be allocated towards relief of poverty within the Kingston area community, and are not to be used for religious purposes.

(vii) Program Income

Program income is recognized as services are provided and the income is earned.

(e) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

3. ACCOUNTING POLICIES (Cont'd)

(g) Financial Instruments

(i) Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized costs except for equities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, donations and grants receivable and HST receivable.

Financial assets measured at fair value include Endowment Fund.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable and loan payable.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is reflected in excess of revenue over expenditures (expenditures over revenue). When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess of revenue over expenditures (expenditures over revenue), up to the amount previously recognized as impaired.

(h) Government Assistance

Government assistance in the form of grants and forgivable loans is accounted for using the cost reduction approach, whereby the cost of the capital item or operating expense is reduced by the assistance received; if assistance received is not for a specific expenditure, the assistance is recorded as revenue. Government assistance is recognized in the period where all conditions of the grants or forgivable loans are met.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

4. ENDOWMENT FUND

The Endowment Fund, invested in pooled equity funds quoted in an active market, consists of total contributed capital of $20,250. The fair market value at December 31, 2022 was $18,786.

5. TANGIBLE CAPITAL ASSETS

	2022		2021	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
	$	**$**	$	$
Furniture and equipment	**310,253**	**55,008**	71,567	21,033
Vehicles	**166,488**	**57,925**	90,113	40,331
Computer equipment	**22,346**	**6,427**	1,024	
Leasehold improvements	**282,173**	**28,903**	3,811	381
	781,260	**148,263**	166,515	61,745
Cost less accumulated amortization	**$ 632,997**		$ 104,770	

In the current year, the Organization made leasehold improvements for cash consideration of $250,962 (2021 - $3,811). The Organization also purchased furniture and equipment for cash consideration of $219,186 (2021 - $27,836), computers for cash consideration of $21,322 (2021 - $1,024) and vehicles for $76,375 (2021 - $Nil). The Organization received $27,400 (2021 - $Nil) of leasehold improvements and $19,500 (2021 - $Nil) of furniture and equipment through in-kind contributions at fair value.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

6. DEFERRED CONTRIBUTIONS

These funds are comprised of externally restricted donations and grants to be applied to expenses as intended or as outlined in approved agreements negotiated between Lion Hearts Inc. and the respective funding agency.

Total deferred contributions are as follows:

	Opening Balance $	Contributions Received $	Contributions Spent $	**Ending Balance $**
Children's Weekend Wellness	15,400	107,691	(81,915)	**41,176**
Community Food Redistribution Warehouse (United Way Kingston, Frontenac, Lennox & Addington)	125,000		(125,000)	**NIL**
Community Garden Grant (United Way Kingston, Frontenac, Lennox & Addington)	2,225		(2,225)	**NIL**
The Embassy Kingston	9,285	6,375	(224)	**15,436**
The Embassy Ottawa		460		**460**
FAST 101	8,937	8,507	(6,601)	**10,843**
Support Not Stigma		430,707	(204,872)	**225,835**
	160,847	553,740	(420,837)	**293,750**

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

7. LOANS PAYABLE

	2022	2021
	$	$
Loan payable consists of a term vehicle loan repaid during the year.		12,902
Non-interest bearing, unsecured loan, with no repayment requirements until December, 2023. Loan has an authorized limit of $60,000 under the Canada Emergency Business Account program. Up to $20,000 is forgivable if certain conditions are met, including repayment of $40,000 on or before December 31, 2023. Amounts owing after December 31, 2023 are converted into a 3-year term loan, repayable in monthly instalments, bearing interest at 5% per annum.	**60,000**	60,000
	60,000	72,902
Less: Current portion	**(60,000)**	(12,902)
	NIL	60,000

The requirement for future repayment of the loan payable over the next year is as follows:

	$
2023	**60,000**

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

8. DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Deferred contributions related to tangible capital assets represent the remaining unamortized balances of donations and grants received for tangible capital assets acquisitions. Details of the continuity of these funds are as follows:

	2022 **$**	2021 $
Beginning of year	**77,115**	17,018
Add: Amounts received related to tangible capital asset additions:		
Restricted donations for shelving		15,000
Donation for energy efficient vehicle purchase		25,000
Donation for freezer	**70,425**	25,000
Grant for leasehold improvements	**42,324**	
Grants for furniture and equipment	**35,000**	
Donation of forklift	**19,500**	
Donation of HVAC units	**27,400**	
	271,764	82,018
Less: Amount recognized as revenue in year	**(34,888)**	(4,903)
End of year	**236,876**	77,115

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

9. INVESTMENT IN TANGIBLE CAPITAL ASSETS

(a) Investment in tangible capital assets represents the following:

	2022 $	2021 $
Tangible capital assets	**632,997**	104,770
Less: Amounts financed by deferred contributions	**(236,876)**	(77,115)
	396,121	27,655

(b) Change in net assets invested in tangible capital assets is calculated as follows:

	2022 $	2021 $
Excess of expenditures over revenues:		
Amortization of deferred contributions relating to tangible capital assets	**34,888**	4,903
Amortization of tangible capital assets	**(86,518)**	(21,981)
	(51,630)	(17,078)
Purchase of tangible capital assets	**567,845**	32,671
Deferred contributions received related to tangible capital asset additions	**(147,749)**	(65,000)
Net change in investment in tangible capital assets for year	**368,466**	(49,407)

10. COMMITMENTS

Subsequent to year-end, the Organization entered into a five-year lease agreement for a warehouse in Ottawa. Beginning May 1, 2023, base rent is set at $80,422 plus applicable sales taxes per year with annual increases each year. The Organization is also responsible for common costs.

The minimum lease payment requirements over the five years are as follows:

	$
2023	**153,008**
2024	**184,130**
2025	**190,174**
2026	**196,062**
2027	**119,727**

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

11. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

Cash provided from (used in) non-cash working capital is compiled as follows:

	2022 $	2021 $
(INCREASE) DECREASE IN CURRENT ASSETS		
Portfolio investments		(20,250)
Donations and grants receivable	**(17,438)**	25,018
HST receivable	**(61,404)**	1,805
Prepaid expenses	**40,688**	(71,732)
	(38,154)	(65,159)
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**92,312**	6,767
Government remittances payable	**9,646**	(19,267)
Deferred contributions	**132,903**	116,224
	234,861	103,724
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**196,707**	38,565

12. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet all cash outflow obligations as they come due.

The Organization's exposure to liquidity risk is dependent on the receipt of funds from its operations. The Organization mitigates this risk by monitoring cash activities and expected outflows. Management is of the opinion that the Organization will be able to meet all of its cash outflow obligations as they come due and is not subject to significant liquidity risk.

There have been no significant changes from the previous period in the exposure to risk or policies, procedure and methods used to measure the risk.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

12. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)

(b) Credit Risk

Credit risk is the risk of financial loss to the Organization if a debtor fails to make payments of interest and principal when due.

The Organization is exposed to credit risk in the event of non-performance by clients in connection with donations and grants receivable. The Organization mitigates this risk by dealing only with what management believes to be financially sound counterparties, and accordingly, does not anticipate significant loss for non-performance.

There have been no significant changes from the previous period in the exposure to risk or policies, procedure and methods used to measure the risk.

13. COVID-19

Since the beginning of calendar year 2020, a virus known as Coronavirus (COVID-19) has caused a world-wide pandemic, including being present in Canada. The pandemic has had a considerable impact both globally and locally, which has the potential to create financial stress on the Organization.

Both federal and provincial governments have introduced legislative measures to combat the financial impact of the pandemic as well as the spread of the virus, including forced closures of several businesses.

At the time that these financial statements were finalized, the amount of the financial impact on the Organization could not be determined.

14. COMPARATIVE FIGURES

In order to conform with the presentation adopted in the current year, certain of the comparative figures have been reclassified.