LION HEARTS INC.

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2025

WILKINSON

LION HEARTS INC.

TABLE OF CONTENTS

AS AT DECEMBER 31, 2025

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, 2025, 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, 2025, 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, 2025 and December 31, 2024, 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

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.

Telephone 613-966-5105 • Toll Free 1-888-728-3890 • Fax 613-962-7072
888 Sidney Street, Belleville, Ontario K8N 4Z5 • www.wilkinson.net

WILKINSON
Integrity, Knowledge, Solutions

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
June 11, 2026

Chartered Professional Accountants
Licensed Public Accountants

WILKINSON & COMPANY LLP - CHARTERED PROFESSIONAL ACCOUNTANTS
Telephone 613-966-5105 • Toll Free 1-888-728-3890 • Fax 613-962-7072
888 Sidney Street, Belleville, Ontario K8N 4Z5 • www.wilkinson.net

LION HEARTS INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025

	2025 $	2024 $
ASSETS		
CURRENT		
Cash	**484,098**	191,962
Donations and grants receivable	**89,952**	132,116
HST receivable	**53,527**	132,668
Prepaid expenses	**86,816**	53,641
	714,393	510,387
LONG-TERM		
Endowment Fund - Note 3	**32,715**	24,153
TANGIBLE CAPITAL ASSETS - at cost less accumulated amortization - Note 4	**2,235,949**	2,506,077
	2,983,057	3,040,617
LIABILITIES		
CURRENT		
Bank indebtedness - Note 5	**203,000**	
Accounts payable and accrued liabilities	**277,802**	250,525
Government remittances payable	**21,158**	82,169
Deferred contributions - Note 6	**265,737**	420,868
Current portion of long-term debt - Note 7	**44,021**	40,295
	811,718	793,857
LONG-TERM		
Loans payable - Note 7	**131,847**	172,963
Deferred contributions related to tangible capital assets - Note 8	**1,223,778**	1,743,829
	1,355,625	1,916,792
Less: Current portion included above - Note 7	**(44,021)**	(40,295)
	1,311,604	1,876,497
	2,123,322	2,670,354
NET ASSETS		
Investment in tangible capital assets - Note 9	**1,012,171**	762,248
Endowment Fund - Note 3	**32,716**	24,153
Unrestricted Fund	**(185,152)**	(416,138)
	859,735	370,263
COMMITMENTS - Note 10		
	2,983,057	3,040,617

APPROVED ON BEHALF OF THE BOARD

______________________________ Director

______________________________ Director

LION HEARTS INC.
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025				
	Investment in Tangible Capital Assets $	**Unrestricted Fund $**	**Endowment Fund $**	**2025 Total $**	2024 $
NET ASSETS - BEGINNING OF YEAR	**762,248**	**(416,138)**	**24,153**	**370,263**	530,582
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE THE UNDERNOTED		**214,753**		**214,753**	(48,760)
PURCHASE OF TANGIBLE CAPITAL ASSETS	**3,765**	**(3,765)**		**NIL**	NIL
DISPOSAL OF TANGIBLE CAPITAL ASSETS	**(17,998)**	**17,998**		**NIL**	NIL
DEFERRED CONTRIBUTIONS RELATING TO TANGIBLE CAPITAL ASSETS	**(2,000)**	**2,000**		**NIL**	NIL
AMORTIZATION OF DEFERRED CONTRIBUTIONS RELATING TO TANGIBLE CAPITAL ASSETS	**132,625**			**132,625**	147,879
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	**(255,895)**			**(255,895)**	(262,985)
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	**(139,503)**	**230,986**	**NIL**	**91,483**	(163,866)
NET ASSETS BEFORE UNDERNOTED	**622,745**	**(185,152)**	**24,153**	**461,746**	366,716
CONTRIBUTIONS RELATING TO THE ACQUISITION OF LAND	**389,426**			**389,426**	NIL
ENDOWMENT CONTRIBUTIONS			**8,563**	**8,563**	3,547
NET ASSETS - END OF YEAR	**1,012,171**	**(185,152)**	**32,716**	**859,735**	370,263

The accompanying notes form an integral part of these financial statements

LION HEARTS INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
	$	$
REVENUE		
Canada Helps donations	**358,303**	257,363
Donations and fundraising	**896,043**	386,518
Receipted in-kind donations	**562,810**	524,261
Grants		
City of Kingston	**2,231,984**	2,470,884
United Way	**391,553**	352,333
Other	**204,962**	217,266
Program income	**847,725**	446,859
Investment income and other revenue	**8,815**	48,057
	5,502,195	4,703,541
EXPENDITURES		
Advertising and promotion	**185,825**	117,319
Board expenses	**688**	
Communication	**25,130**	25,935
Donations to other registered charities		10,500
Insurance	**75,570**	75,984
Interest and service charges	**34,815**	27,902
Interest on long-term debt	**10,429**	18,230
Miscellaneous	**1,804**	6,255
Occupancy costs	**686,493**	591,823
Office supplies	**17,958**	21,570
Professional fees	**194,967**	157,943
Program expenses	**1,091,949**	1,017,064
Travel and meals	**90,911**	87,895
Vehicle	**76,903**	123,466
Wages and benefits - Note 11	**2,794,000**	2,470,415
	5,287,442	4,752,301
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE UNDERNOTED	**214,753**	(48,760)
Amortization of deferred contributions relating to tangible capital assets	**132,625**	147,879
Amortization of tangible capital assets	**(255,895)**	(262,985)
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	**91,483**	(163,866)

LION HEARTS INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025 $	2024 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures (expenditures over revenue) for year	**91,483**	(163,866)
Adjustment for items which do not affect cash -		
Amortization of tangible capital assets	**255,895**	262,985
Amortization of deferred contributions relating to tangible capital assets	**(132,625)**	(147,879)
Gain on disposal of tangible capital assets	**(7,429)**	
	207,324	(48,760)
Net change in non-cash working capital balances related to operations - Note 12	**(100,735)**	440,099
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	**106,589**	391,339
INVESTING ACTIVITIES		
Proceeds on disposal of tangible capital assets	**25,425**	
Purchase of tangible capital assets	**(3,762)**	(1,261,152)
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES	**21,663**	(1,261,152)
FINANCING ACTIVITIES		
Repayment of loans payable	**(41,116)**	(34,095)
Issuance of loans payable		95,802
Deferred contributions relating to tangible capital assets	**2,000**	887,500
CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES	**(39,116)**	949,207
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	**89,136**	79,394
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**191,962**	112,568
CASH AND CASH EQUIVALENTS - END OF YEAR	**281,098**	191,962
REPRESENTED BY:		
Cash	**484,098**	191,962
Bank indebtedness	**(203,000)**	
	281,098	191,962

The accompanying notes form an integral part of these financial statements

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

1. PURPOSE OF THE ORGANIZATION

Lion Hearts Inc. is a registered charitable organization, operating throughout Kingston, Ottawa and London, Ontario, dedicated to relieving poverty and supporting vulnerable individuals and families through food security initiatives, essential goods recovery and redistribution, housing and shelter programs, vocational training opportunities, community nutrition programs, and related community support services. The Organization works in partnership with agencies, schools, shelters, food programs, and community organizations to address food insecurity, homelessness, housing instability, social isolation, and other barriers faced by vulnerable individuals and families.

The Organization's principal activities include the recovery and redistribution of surplus food and household goods; community nutrition and meal production programs; student food support initiatives; fresh food market programs; transitional housing and shelter services; vocational training opportunities; outreach and community support services; and FAST 101 awareness and prevention programming. Through these programs, the Organization seeks to improve access to nutritious food, essential household goods, safe housing, community supports, and opportunities that promote dignity, stability, and self-sufficiency.

The Organization was incorporated on July 20, 2023 and is a registered charity exempt from income taxes.

2. 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.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

2. ACCOUNTING POLICIES (Cont'd)

(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
Building	4%
Computer equipment	55%
Furniture and equipment	20%
Leasehold improvements	20%
Vehicles	20%

(d) Web-Based Subscriptions

Payments for web-based subscriptions are accounted for using the simplification approach under Accounting Guideline AcG-20 and recognized as an expense as services are received.

(e) 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 2(e)(iii).

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

2. ACCOUNTING POLICIES (Cont'd)

(e) Revenue Recognition (Cont'd)

(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, with the exception of land which is recognized as direct increased in net assets. 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 these 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.

(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.

(viii) Investment Income and Other Revenue

Investment income and other revenue is recognized as the income is earned.

(f) 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.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

2. ACCOUNTING POLICIES (Cont'd)

(g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit.

(h) 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 cost 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 the Endowment Fund.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, government remittances payable and loans 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.

3. ENDOWMENT FUND

The Endowment Fund, invested in pooled equity funds quoted in an active market, consists of total contributed capital of $25,650 (2024 - $20,250). The fair market value at December 31, 2025 was $32,715 (2024 - $24,153).

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

4. TANGIBLE CAPITAL ASSETS

	2025		2024	
	Cost **$**	**Accumulated Amortization** **$**	Cost $	Accumulated Amortization $
Land	**405,000**		405,000	
Building	**1,041,972**	**54,003**	1,040,443	12,869
Computer equipment	**42,419**	**37,886**	42,185	32,489
Furniture and equipment	**807,328**	**379,200**	807,328	272,167
Leasehold improvements	**439,220**	**210,874**	439,220	153,787
Vehicles	**362,992**	**181,019**	385,986	142,773
	3,098,931	**862,982**	3,120,162	614,085
Cost less accumulated amortization	**$ 2,235,949**		$ 2,506,077	

In the current year, the Organization purchased tangible capital assets for cash consideration of $3,762 (2024 - $373,652). The Organization received $2,000 (2024 - $887,500) of tangible capital assets through in-kind contributions at fair value.

During the year, the Organization disposed of tangible capital assets for aggregate proceeds of $25,425 (2024 - $Nil) resulting in a gain of disposition of $7,428 (2024 - $Nil) which is included in investment revenue and other revenue on the statement of operations.

5. BANK INDEBTEDNESS

The Organization has available revolving demand credit facilities through Royal Bank of Canada, with a maximum limit of $250,000. The Organization guarantees the credit facility with a first security interest on all present and future personal property and collateral mortgage in the amount of $448,000 constituting a first fixed charge on the lands and improvements located at 983 Sydenham Road and bears interest at the bank's prime rate plus 2.65%. As at December 31, 2025, the carrying value of 983 Sydenham Road was $440,805 (2024 - $459,172). As at December 31, 2025, the total indebtedness on this credit facility was $203,000 (2024 - $Nil).

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

6. DEFERRED CONTRIBUTIONS

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

Total deferred contributions at year-end were as follows:

	Opening Balance $	Contributions Received $	Contributions Spent $	**Ending Balance $**
Children's Weekend Wellness	69,395	87,697	(157,092)	
The Embassy Kingston	7,127		(7,127)	
United Way KFLA		391,183	(391,183)	
FAST 101	16,352	1,373	(2,154)	**15,571**
Kingston Operations	159,284	191,715	(350,999)	
City of Kingston	153,731	2,241,414	(2,237,994)	**157,151**
Community Nutrition Program	1,438		(1,438)	
Ontario Trillium Fund	13,541	77,200	(90,741)	
London Operations		125,266	(47,077)	**78,189**
Transitional Housing		317,250	(302,423)	**14,827**
	420,868	3,433,098	(3,588,228)	**265,738**

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

7. LOANS PAYABLE

	2025	2024
	$	$
Fixed rate term vehicle loan, bearing interest at 9.39% and repayable in blended monthly instalments of $1,095 until March 2029.	**36,622**	45,857
Fixed rate term vehicle loan, bearing interest at 9.39% and repayable in blended monthly instalments of $1,093 until January 2028.	**24,687**	34,957
Fixed rate term vehicle loan, bearing interest at 8.39% and repayable in blended monthly instalments of $2,311 until November 2028.	**70,538**	92,149
	131,847	172,963
Less: Current portion included in liabilities	**(44,021)**	(40,295)
	87,826	132,668

The requirements for future repayment of the loans payable over the next four (4) years are as follows:

	$
2026	**44,021**
2027	**48,092**
2028	**37,431**
2029	**2,303**
	131,847

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

8. DEFERRED CONTRIBUTIONS RELATING TO TANGIBLE CAPITAL ASSETS

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

	2025	2024
	$	$
Balance - beginning of year	**1,743,829**	1,004,208
Add: Amounts received related to tangible capital asset additions:		
Grants for vehicles		15,000
Donation of vehicle	**2,000**	
Donation of Brock Street property		865,000
Donation of warehousing and commercial kitchen equipment		7,500
Transfer of contributions relating to the acquisition of land to net assets	**(389,426)**	
	1,356,403	1,891,708
Less: Amortized amount recognized as revenue in year	**(132,625)**	(147,879)
Balance - end of year	**1,223,778**	1,743,829

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

9. INVESTMENT IN TANGIBLE CAPITAL ASSETS

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

	2025	2024
	$	$
Tangible capital assets	**2,235,949**	2,506,077
Less: Amounts financed by deferred contributions	**(1,223,778)**	(1,743,829)
	1,012,171	762,248

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

	2025	2024
	$	$
Amortization of deferred contributions relating to tangible capital assets	**132,625**	147,879
Amortization of tangible capital assets	**(255,895)**	(262,985)
	(123,270)	(115,106)
Purchase (disposal) of tangible capital assets (net)	**(14,233)**	1,261,152
Transfer of land to net assets	**389,426**	
Deferred contributions received related to tangible capital asset additions	**(2,000)**	(887,500)
Net change in investment in tangible capital assets for year	**249,923**	258,546

10. COMMITMENTS

The Organization has a number of premise lease agreements that expire at various times between December 2026 and May 2028. The minimum lease payment requirements over the next three (3) years are as follows:

	$
2026	**444,106**
2027	**275,376**
2028	**137,867**

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

11. WAGES AND BENEFITS

During the year, the Organization paid wages to staff directly involved in the operation of charitable programs in the amount of $2,243,366. Wages were paid to managers and leadership for administrative activities indirectly related to the operation of charitable programs in the amount of $266,154. Benefits paid across the Organization were $299,689. Wage subsidies received during the year were in the amount of $15,209.

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

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

	2025 $	2024 $
(INCREASE) DECREASE IN CURRENT ASSETS		
Donations and grants receivable	**42,164**	132,863
HST receivable	**79,141**	(20,937)
Prepaid expenses	**(33,175)**	19,788
	88,130	131,714
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**27,277**	112,840
Government remittances payable	**(61,011)**	39,274
Deferred contributions	**(155,131)**	156,271
	(188,865)	308,385
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**(100,735)**	440,099

13. 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 liquidity risk, and credit 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.

(b) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Organization is exposed to interest rate risk through its interest-bearing bank indebtedness, as discussed in Note 5 of these financial statements. As prevailing interest rates increase or decrease, the rate of interest on interest-bearing bank indebtedness will fluctuate. Risk is mitigated by the ability and intention to repay this indebtedness.

The Organization does not use derivative financial instruments to alter the effects of this risk.

(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.

LION HEARTS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

14. WEB-BASED SUBSCRIPTIONS

During the year, total web-based subscriptions of $19,527 (2024 - $12,608) were expensed, which is included in professional fees on the statement of operations, as described in Note 2(d) to these financial statements

15. COMPARATIVE FIGURES

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