

Waves of Hope Inc.

Financial Statements

For the year ended December 31, 2010

Waves of Hope Inc.

Financial Statements

For the year ended December 31, 2010

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Independent Auditors' Report

To the Members of Waves of Hope Inc.

We have audited the accompanying financial statements of Waves of Hope Inc., which comprise the statement of financial position as at December 31, 2010 and the statement of operations, statement of changes in net assets and cash flow statement 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 generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

✕ An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

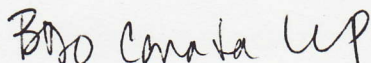
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

Basis for Modified Opinion

In common with many charitable organizations, the organization derives revenue from donations and other fund raising activities, the completeness of which is not susceptible to 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 any adjustments might be necessary to revenue, excess of revenue over expenses, current assets and surplus.

Modified Opinion

In our opinion, except for the effects of any adjustments which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Waves of Hope Inc. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink that reads "BDO Canada LLP".

Chartered Accountants

Brandon, Manitoba

March 14, 2011

Waves of Hope Inc.
Statement of Financial Position

December 31	2010	2009
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Assets

Current Assets

Cash	\$ 23,989	\$ 44,949
Accounts receivable	150	50
Inventories	852	1,234
Prepaid expenses	1,441	10,141
	<hr/>	<hr/>
	\$ 26,432	\$ 56,374

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 2,631	\$ 3,274
Deferred income (Note 1)	1,088	1,200
	<hr/>	<hr/>
	3,719	4,474

Net Assets

Unrestricted	<hr/>	<hr/>
	22,713	51,900
	<hr/>	<hr/>
	\$ 26,432	\$ 56,374

On behalf of the Board:

_____ Director

_____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Waves of Hope Inc.
Statement of Changes in Net Assets

For the year ended December 31	2010	2009
Net assets, beginning of year	\$ 51,900	\$ 40,464
Net income (loss) for the year	(29,187)	11,436
Net assets, end of year	\$ 22,713	\$ 51,900

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Waves of Hope Inc. Statement of Operations

For the year ended December 31

2010

2009

Revenue

Fundraising

Fashion show

\$ 12,406 \$ 9,685

Merchandise

492 604

Yard sale

- 2,451

WCDBR

- 19,337

Subtotal

12,898 32,077

Donations

1,070 1,663

Memberships

1,563 1,485

Sponsorships

- 1,000

Community Support

50 -

15,581 36,225

Expenses

Fundraising

Fashion show

5,150 1,407

Merchandise

322 327

Yard sale

- 265

WCDBR

- 1,661

Subtotal

5,472 3,660

Administration

3,814 3,534

Advertising and promotion

463 509

Boat and equipment expenses

2,533 2,661

Festival

2,536 5,772

Membership

25 25

Outreach

1,140 3,143

Peterborough festival

23,933 -

Professional fees

2,653 2,972

Rental

1,083 1,004

Team expenses

1,994 2,443

45,646 25,723

Excess (Deficiency) of revenue over expenses from operations

(30,065) 10,502

Other Items

Interest income

878 934

Excess (Deficiency) of revenue over expenses

\$ (29,187) \$ 11,436

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Waves of Hope Inc. Statement of Cash Flows

For the year ended December 31	2010	2009
Cash Flows from Operating Activities		
Net income (loss) for the year	\$ (29,187)	\$ 11,436
Changes in non-cash working capital balances		
Accounts receivable	(100)	(50)
Inventories	382	976
Prepaid expenses	8,700	(8,131)
Accounts payable	(643)	830
Deferred income	(112)	(417)
	<u>8,227</u>	<u>(6,792)</u>
Increase (decrease) in cash and cash equivalents during the year	(20,960)	4,644
Cash and cash equivalents, beginning of year	<u>44,949</u>	<u>40,305</u>
Cash and cash equivalents, end of year	\$ 23,989	\$ 44,949
Represented by		
Cash	\$ 23,989	\$ 44,949

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Waves of Hope Inc.

Summary of Significant Accounting Policies

December 31, 2010

Nature of Business

The organization is incorporated under the laws of Manitoba Corporations Act and is engaged in the operation of improving physical, psychological, emotional, and spiritual health for women and men living with breast cancer through participation in dragon boat racing and other community activities such as education and raising public awareness. The organization is a non-profit corporation; therefore any surplus it generates is non-taxable

Revenue Recognition

Waves of Hope Inc. 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 are recorded as revenue when received or receivable if the amount to be received is reasonably assured and estimated.

Contributed Services

Contributed services are not recognized in the financial statements due to the difficulty in determining their fair value. These services consist of volunteer hours provided to Waves of Hope Inc. in carrying out its service delivery activities.

Inventories

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Waves of Hope Inc.

Summary of Significant Accounting Policies

December 31, 2010

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The entity has classified its cash as held-for-trading, receivables as loans and receivables and its accounts payable and accrued liabilities as other liabilities, which are measured at amortized cost.

New Accounting Pronouncements

The Accounting Standards Board (AcSB) has finalized new accounting standards for not-for-profit organizations. These new standards will be effective for fiscal years beginning on or after January 1, 2012. Under the new standards, the not-for-profit organization may choose to adopt either International Financial Reporting Standards (IFRS) or Canadian Accounting Standards for Not-for-Profit Organizations.

The organization is expected to adopt Canadian Accounting Standards for Not-for-Profit Organizations. The organization is currently assessing the impact of these new standards.

Capital Assets

It is the organization's policy to expense capital assets in the year of acquisition. There were no capital purchases made in the year.

Waves of Hope Inc. Notes to Financial Statements

December 31, 2010

1. Deferred Revenue

	2010	2009
Opening balance	\$ 1,200	\$ 2,240
Revenue deferred in year	1,088	1,200
Revenue recognized in year	(1,200)	(2,240)
Ending balance	<u>\$ 1,088</u>	<u>\$ 1,200</u>

2. Financial Risk Management

There have been no substantive changes in the entity's exposure to financial instrument risks. The board monitors the financial statements including its financial instruments on a monthly basis to determine if there any increases or changes in its risk.

The principal financial instruments used by the entity, from which financial risk arises, are as follows: cash and short-term investments, receivables and payables, accrued liabilities and long-term debt.

Market Risk

Market risk is the risk 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: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The bank accounts of the entity are affected by interest rate risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The entity is not exposed to foreign exchange 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. The entity is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the entity's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

Credit Risk

Credit risk arises principally from receivables. The entity's receivables are the result of membership fees not yet paid. The credit risk is minimal.

Waves of Hope Inc.
Notes to Financial Statements

December 31, 2010

3. Capital

The organization considers its capital to be its net assets. The organization's objectives when managing its capital are to safeguard its ability as a going concern so it can continue to provide services to its members. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.