

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Financial Statements

Year Ended December 31, 2015

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
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Year Ended December 31, 2015

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DART BRYANT
CHARTERED ACCOUNTANTS
404 - 13th Avenue N.E.
Calgary, Alberta T2E 1C2

David R. Dart, C.A.
Edwin L. Bryant, C.A.

Bus: (403) 230-3764
Fax: (403) 230-3766
davedart@dartbryant.com
edbryant@dartbryant.com

INDEPENDENT AUDITOR'S REPORT

To the Members of Humanitarian Aid Response Teams Society

We have audited the accompanying financial statements of Humanitarian Aid Response Teams Society, which comprise the statement of financial position as at December 31, 2015 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, 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.

Auditor's 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 financial statements. The procedures selected depend on the auditor's 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 overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, Humanitarian Aid Response Teams Society derives revenue from contributions the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Humanitarian Aid Response Teams Society. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2015, current assets and net assets as at January 1, 2015 and December 31, 2015

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Humanitarian Aid Response Teams Society as at December 31, 2015 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.

Calgary, Alberta
June 23, 2016

CHARTERED ACCOUNTANTS

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2015

	2015	2014
ASSETS		
CURRENT		
Cash (Note 4)	\$ 701,144	\$ 578,615
Marketable securities (Note 5)	33,905	39,009
Accounts receivable	46,846	65,206
Goods and services tax recoverable	6,288	10,616
Prepaid expenses	2,112	-
	790,295	693,446
CAPITAL ASSETS (Note 6)	21,547	30,602
	\$ 811,842	\$ 724,048
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 53,791	\$ 81,338
DEFERRED CONTRIBUTIONS (Note 7)	220,219	274,041
	274,010	355,379
NET ASSETS		
General fund	516,285	338,068
Investment in capital assets	21,547	30,601
	537,832	368,669
	\$ 811,842	\$ 724,048

ON BEHALF OF THE BOARD

_____ Director

_____ Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2015

	2015	2014
REVENUES		
Contributions	\$ 3,271,834	\$ 2,458,156
Donated goods (Note 9)	184,653	294,694
Investment income (Note 5)	(4,052)	4,335
	<u>3,452,435</u>	<u>2,757,185</u>
EXPENSES		
INTERNATIONAL PROGRAMS		
Child sponsorship programs	603,158	606,686
Missions projects, church and pastor support	817,180	709,252
Medical - dental aid programs	112,499	99,142
Relief aid programs	<u>1,232,379</u>	<u>819,004</u>
	2,765,216	2,234,084
CANADIAN PROGRAMS - Education	157,053	147,099
FUND-RAISING (Note 8.) and (Schedule 1)	92,571	86,006
ADMINISTRATION (Schedule 2)	<u>268,432</u>	<u>299,982</u>
	3,283,272	2,767,171
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 169,163	\$ (9,986)

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2015

	General Fund	Investment in capital assets	2015	2014
NET ASSETS - BEGINNING OF YEAR	\$ 338,068	\$ 30,601	\$ 368,669	\$ 378,655
Excess (deficiency) of revenues over expenses	169,163	-	169,163	(9,986)
Amortization	9,054	(9,054)	-	-
NET ASSETS - END OF YEAR	\$ 516,285	\$ 21,547	\$ 537,832	\$ 368,669

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Cash Flows
Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Cash receipts from supporters	\$ 3,235,776	\$ 2,454,425
Cash paid to suppliers and employees	(3,119,223)	(2,464,874)
Interest received	1,648	4,335
Goods and services tax	4,328	2,315
Cash flow from (used by) operating activities	<u>122,529</u>	<u>(3,799)</u>
INVESTING ACTIVITY		
Purchase of capital assets	-	(23,705)
INCREASE (DECREASE) IN CASH FLOW	122,529	(27,504)
Cash - beginning of year	<u>578,615</u>	<u>606,119</u>
CASH - END OF YEAR (Note 4)	<u>\$ 701,144</u>	<u>\$ 578,615</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

1. DESCRIPTION OF OPERATIONS

The Humanitarian Aid Response Team Society ("HART") is a Christian Relief Aid and Missions organization providing spiritual, physical and social aid to people, primarily in the Carpathian Mountains area of the Ukraine, as well as in several other places in Eastern Europe. Since 1996, HART has been committed to demonstrating compassion and love to people suffering from poverty and disease. HART functions as a "Supply-Line" through which people in North America can support National partners and ministries who are providing Relief Aid to the poor and sharing God's love to people in their own countries.

The Humanitarian Aid Response Team Society was incorporated under the Canada Corporations Act on April 26, 1996 and began operations in September 1996. As the Society is a registered charity under the Income Tax Act authorized to issue income tax receipts, it is also exempt from income taxes.

The continuous operation of the organization is dependent on the donation support of interested individuals and organizations.

2. ACCOUNTING POLICIES

Basis of presentation

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

Going concern

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to assess whether there are any events or conditions that may cast significant doubt upon the organization's ability to continue as a going concern. Management is not aware of any such material uncertainties; accordingly, these financial statements have been prepared using the going concern assumption.

Financial instruments policy

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.

Financial instruments reported in these financial statements include cash, term deposits, accounts receivable, and accounts payable, all of which are reported at amortized cost, and marketable securities which are reported at fair value.

Unless otherwise noted, it is management's opinion that HART is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(continues)

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

2. ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Revenues and expenses have been translated at the average rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash in banks and deposits capable of redemption within less than 90 days. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Capital assets

Capital assets which are purchased and used in Canada are stated at cost; donated capital assets are recorded at their estimated fair value at the date of contribution. Property and equipment purchased in the Ukraine is expensed and not capitalized. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Vehicles	30%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

Revenue recognition

HART follows the deferral method of accounting for contributions. Contributions subject to externally imposed restrictions are recognized as revenue in the year in which the related expenditures 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.

Other assets and supplies ("gifts in kind") contributed for which a donation receipt is issued, are recorded on the basis of fair values determined by third parties as at the date of contribution. Other gifts in kind for which independent fair values have not been determined are recorded at nominal values estimated by management at the time when the goods become used for charitable purposes in the operation of HART's programs. Management annually reviews the method used to value these gifts in kind.

Contributed services

Volunteers contribute a significant amount of time each year to assist HART in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

2. ACCOUNTING POLICIES *(continued)*

Allocation of costs

Certain officers and employees perform a combination of responsibilities for programs, fund-raising and administrative functions. Consequently costs are allocated to the various functional areas based on estimates of time spent. Fund-raising and administrative costs which are not directly related to any specific programs are included in the amounts reported as Fund-raising and Administration on the statement of revenues and expenditures.

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 include the amount of deferred contributions remaining to be spent in the following year, providing for amortization of capital assets, the fair value of goods donated and shipped abroad, and the basis for allocation of expenses between functional areas. Actual measurements could differ from these estimates.

3. 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, 2015.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk because of uncertainty in the amount and timing of the contributions support expected to be received from those interested.

Currency risk

Currency risk is the risk to the organization's income that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on cash held in U.S. dollars. HART does not use derivative instruments to reduce its exposure to foreign currency risk.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

4. CASH AND CASH EQUIVALENTS

	2015	2014
Cash	\$ 682,976	\$ 560,880
Deposit with Mennonite Foundation of Canada	18,169	17,734
	\$ 701,145	\$ 578,614

HART has bank accounts totalling \$40,524 US (2014: \$42,676 US) which are included in cash of \$682,976 (2014: \$560,880) at their Canadian equivalent at year-end.

The deposit with the Mennonite Foundation of Canada bears interest at 2.25% and may be withdrawn at any time with three months notice.

HART has a significant exposure to credit risk to the extent that most of the cash is invested with the same bank. Accordingly, insurance available through Canada Deposit Insurance Corporation would be limited to \$100,000, in the event of failure of the bank. Management does not believe a loss is likely to occur.

5. MARKETABLE SECURITIES

	2015	2014
Marketable securities	\$ 33,905	\$ 39,009

The marketable securities were donated when the shares had a value of \$22,700. The unrealized (loss) gain for the year of \$(5,700) (2014: \$1,055) due to the increase (decrease) in the fair market value of the investments has been included in investment income (loss) of \$(4,052) (2014: \$4,335).

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Vehicles	\$ 40,705	\$ 22,712	\$ 17,993	\$ 25,706
Computer equipment	28,252	25,887	2,365	3,378
Computer software	880	700	180	257
Furniture and fixtures	5,948	4,939	1,009	1,261
	\$ 75,785	\$ 54,238	\$ 21,547	\$ 30,602

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

7. DEFERRED CONTRIBUTIONS

Contributions for National Partners Support Programs are used to support pastors and various ministries who are responsible for the daily operation of programs and projects in the Ukraine and Eastern Europe.

Contributions for the Medical - Dental Aid Program are used to provide medical and dental care to the poor and elderly in rural regions.

A grant was received from the Alberta government for the purpose of developing information on the Ukraine which can be used to enhance public school programs.

	2014	Received	Recognized in revenue	2015
National Partners Support	\$ 219,592	\$ 236,767	\$ 288,215	\$ 168,144
Medical - dental aid	45,153	110,124	112,498	42,779
Education program	9,296	-	-	9,296
	\$ 274,041	\$ 346,891	\$ 400,713	\$ 220,219

Deferred contributions recognized in revenue are included in contributions in the statement of revenues and expenditures.

8. SUMMARY OF FUNDRAISING EVENTS

During the year HART holds various events for the purpose of updating supporters, educating as to the geographic areas in which HART serves, and raising support for the programs. The following is a summary of these events.

	Revenue	Expenses	2015
Calgary Auction			
Camp ministry and other donations	\$ 167,977	\$ 37,643	\$ 130,334
Ticket sales	22,840	-	22,840
	190,817	37,643	153,174
Edmonton Auction			
Camp ministry and other donations	58,580	14,817	43,763
Ticket sales	10,885	-	10,885
	69,465	14,817	54,648
Fall Dinners			
Calgary donations	150,719	16,550	134,169
Edmonton donations	22,020	7,279	14,741
Other fundraising expenses	-	16,282	(16,282)
	172,739	40,111	132,628
	\$ 433,021	\$ 92,571	\$ 340,450

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

9. DONATED GOODS

These financial statements include revenue and expenses for donated goods in kind totalling \$184,653 (2014: \$294,694) which have been used in the Child Sponsorship, National Partners Support and Relief Aid programs and are included in Humanitarian relief aid, medical and missions expense of \$2,603,141 (2014: \$2,105,112) (Note 12). This includes donated goods having a fair value of \$52,153 (2014: \$56,335) for which donation receipts were issued, as well as \$132,500 (2014: \$128,150) in respect of the estimated fair value of shoes, clothing, toys and medicines shipped to the Ukraine and, in 2014, \$116,508 in respect of computers donated for use by partners in Ukraine for which no donation receipts have been issued.

10. CONTRACTUAL OBLIGATIONS

The HART occupies premises under a lease which expires May 31, 2016 and has a lease for office equipment that expires in 2018. Payments for the next five years are estimated to be:

Contractual obligation repayment schedule:

2016	\$	22,822
2017		2,472
2018		2,472
		<hr/>
	\$	<u>27,766</u>

11. RELATED PARTY TRANSACTIONS

HART pursues the fulfillment of its mission in conjunction with Humanitarian Aid Response Team Inc. ("HART USA"), a US charitable organization which is separately incorporated and managed by a separate and independent Board of Directors. The two organizations work together to accomplish the same objectives; however, they are not related to each other nor is one organization economically dependent on the other.

During the year HART USA transferred \$14,828 (2014: \$18,922) to HART, all of which was transferred directly to the Ukraine to fund program expenses. As at December 31, 2015 and 2014, there was no balance receivable from HART USA.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

12. CLASSIFICATION OF EXPENSES

	<u>2015</u>	<u>2014</u>
Humanitarian relief aid, medical and missions	\$ 2,603,141	\$ 2,105,112
Salaries and benefits	387,304	363,074
Fund-raising	92,571	86,006
Occupancy costs	50,061	55,036
Office supplies	66,050	50,012
Telecommunications, publications	23,672	38,053
Bank and wire charges	24,232	27,129
Professional fees	23,003	25,195
Amortization	9,054	11,773
Insurance	2,864	2,333
Travel	1,892	2,229
Advertising and promotion	5,128	1,219
	<u>\$ 3,288,972</u>	<u>\$ 2,767,171</u>

13. COMPARATIVE FIGURES

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

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Year Ended December 31, 2015

FUND-RAISING

(Schedule 1)

	2015	2014
General fundraising expense	\$ 16,282	\$ 42,258
Auction expenses	52,460	31,860
Fall dinner expense	23,829	11,888
	\$ 92,571	\$ 86,006

ADMINISTRATION

(Schedule 2)

	2015	2014
Amortization	\$ 9,054	\$ 11,773
Bank charges	24,232	27,129
Office	33,237	43,360
Professional services	23,003	25,195
Occupancy costs	50,061	55,036
Salaries and benefits	109,183	110,858
Telecommunications	11,251	23,072
Vehicle expenses	3,283	2,340
Information and publications	5,128	1,219
	\$ 268,432	\$ 299,982