

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Financial Statements
Year Ended December 31, 2014

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
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Year Ended December 31, 2014

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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, 2014 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, 2014, current assets and net assets as at January 1, 2014 and December 31, 2014

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, 2014 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 29, 2015

CHARTERED ACCOUNTANTS

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash (Note 4)	\$ 560,880	\$ 592,115
Deposit with Mennonite Foundation of Canada (Note 4)	17,734	14,004
Marketable securities (Note 5)	39,009	37,954
Accounts receivable	65,206	75,213
Goods and services tax recoverable	10,616	12,931
Prepaid expenses	-	1,984
	693,445	734,201
CAPITAL ASSETS (Note 6)	30,601	18,670
	\$ 724,046	\$ 752,871
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 81,336	\$ 78,731
DEFERRED CONTRIBUTIONS (Note 7)	274,041	295,485
	355,377	374,216
NET ASSETS		
General fund	338,068	359,986
Investment in capital assets	30,601	18,669
	368,669	378,655
	\$ 724,046	\$ 752,871

ON BEHALF OF THE BOARD

_____ Director

_____ Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2014

	2014	2013
REVENUES		
Contributions	\$ 2,458,156	\$ 4,406,801
Donated goods (Note 11)	294,694	203,305
Investment income (Note 5)	4,335	7,780
	<u>2,757,185</u>	<u>4,617,886</u>
EXPENSES		
INTERNATIONAL PROGRAMS		
Child sponsorship programs	606,686	592,892
Missions projects, church and pastor support	709,252	1,961,907
Medical - dental aid programs	99,142	68,955
Relief aid programs	819,004	1,378,669
	<u>2,234,084</u>	<u>4,002,423</u>
CANADIAN PROGRAMS		
Education	147,099	96,388
	<u>147,099</u>	<u>96,388</u>
FUND-RAISING (Schedule 1)	86,006	97,662
ADMINISTRATIVE (Schedule 2)	299,982	291,637
	<u>2,767,171</u>	<u>4,488,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (9,986)</u>	<u>\$ 129,776</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2014

	General Fund	Investment in capital assets	2014	2013
NET ASSETS - BEGINNING OF YEAR	\$ 359,986	\$ 18,669	\$ 378,655	\$ 248,879
Deficiency of revenues over expenses	(9,986)	-	(9,986)	129,776
Net increase in property and equipment	(23,705)	23,705	-	-
Amortization	11,773	(11,773)	-	-
NET ASSETS - END OF YEAR	\$ 338,068	\$ 30,601	\$ 368,669	\$ 378,655

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (9,986)	\$ 129,776
Items not affecting cash:		
Amortization of capital assets	11,773	7,719
(Increase) decrease in fair value of investments	(1,056)	(8,129)
Contribution of capital asset	-	-
Capital asset donated by HART	-	-
	<u>731</u>	<u>129,366</u>
Changes in non-cash working capital:		
Accounts receivable	10,007	(72,490)
Accounts payable	2,607	(37,472)
Prepaid expenses	1,984	579
GST receivable	2,315	3,524
Deferred contributions	(21,444)	(541,063)
	<u>(4,531)</u>	<u>(646,922)</u>
Cash flow used by operating activities	<u>(3,800)</u>	<u>(517,556)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(23,705)</u>	-
DECREASE IN CASH FLOW	(27,505)	(517,556)
Cash and cash equivalents - beginning of year	<u>606,119</u>	<u>1,123,675</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 578,614</u>	<u>\$ 606,119</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2014

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 (ASNFPPO).

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 which are carried 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, 2014

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:

Motor 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.

(continues)

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

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 Administrative 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, 2014.

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, 2014

4. CASH AND CASH EQUIVALENTS

	2014	2013
Cash	\$ 560,880	\$ 592,115
Deposit with Mennonite Foundation of Canada	17,734	14,004
	\$ 578,614	\$ 606,119

The deposit with the Mennonite Foundation of Canada bears interest at 2.65% 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

	2014	2013
Marketable securities	\$ 39,009	\$ 37,954

The marketable securities were donated when the shares had a value of \$22,700. The unrealized gain of \$1,055 (2013: \$7,780) due to the increase in the fair market value of the investments has been included in investment income of \$4,335 (2013: \$7,780).

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Motor vehicles	\$ 40,705	\$ 15,000	\$ 25,705	\$ 11,901
Computer equipment	28,252	24,874	3,378	4,826
Computer software	880	623	257	367
Furniture and fixtures	5,948	4,687	1,261	1,576
	\$ 75,785	\$ 45,184	\$ 30,601	\$ 18,670

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2014

7. DEFERRED CONTRIBUTIONS

Contributions for Child Sponsorship Program are used to provide food, clothing, school supplies and opportunities to participate in Christian summer camps.

Contributions for Humanitarian Relief Aid Programs are used to support programs providing food packages and soup kitchens, shoes, clothing, medicines, medical and dental care, and educational opportunities to orphans, orphanages, the elderly and those in and being released from prisons.

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.

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.

	2013	Received	Recognized in revenue	2014
National Partners Support	\$ 239,055	\$ 273,181	\$ 292,644	\$ 219,592
Medical dental aid	47,134	97,160	99,141	45,153
Education program	9,296	-	-	9,296
	<u>\$ 295,485</u>	<u>\$ 370,341</u>	<u>\$ 391,785</u>	<u>\$ 274,041</u>

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

8. FUNDRAISING

	Fundraising revenue	Fundraising expenses	Net income from fundraising
Calgary auction	\$ 133,566	\$ 53,692	\$ 79,874
Edmonton auction	47,173	20,426	26,747
Calgary Fall dinner	131,458	11,888	119,570
	<u>\$ 312,197</u>	<u>\$ 86,006</u>	<u>\$ 226,191</u>

9. 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 \$18,922 (2013: \$137,050) to HART, all of which was transferred directly to the Ukraine to fund program expenses. As at December 31, 2014, there was no balance receivable from HART USA (2013: \$7,315).

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

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:

	2015	\$ 51,312
	2016	22,822
	2017	2,472
	2018	2,472
		\$ 79,078

11. DONATED GOODS

These financial statements include revenue and expenses for donated goods in kind totalling \$294,694 (2013: \$203,305) 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 \$2,083,118 (2013: \$3,915,114) (Note 12). This includes donated goods having a fair value of \$56,335 (2013: \$47,205) for which donation receipts were issued, as well as \$128,150 (2013: \$156,100) in respect of the estimated fair value of shoes, clothing, toys and medicines shipped to the Ukraine and \$116,508 in respect of computers donated for use by partners in Ukraine for which no donation receipts have been issued.

12. CLASSIFICATION OF EXPENSES

	2014	2013
Humanitarian relief aid, medical and missions	\$ 2,083,118	\$ 3,915,113
Salaries and benefits	385,068	280,694
Fund-raising	86,006	97,662
Occupancy costs	55,036	47,380
Office supplies	50,012	29,825
Telecommunications, publications	38,053	27,632
Bank and wire charges	27,129	45,944
Professional fees	25,195	23,780
Amortization	11,773	7,719
Insurance	2,333	1,172
Travel	2,229	10,164
Advertising and promotion	1,219	1,025
	\$ 2,767,171	\$ 4,488,110

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, 2014

FUND-RAISING

(Schedule 1)

	2014	2013
Auction expenses	\$ 74,118	\$ 67,473
Fall dinner expense	<u>11,888</u>	<u>30,189</u>
	<u>\$ 86,006</u>	<u>\$ 97,662</u>

ADMINISTRATIVE

(Schedule 2)

	2014	2013
Amortization	\$ 11,773	\$ 7,719
Bank charges	27,129	45,944
Office	43,360	30,257
Professional services	25,195	23,780
Occupancy costs	55,036	47,380
Salaries and benefits	110,858	99,560
Telecommunications	23,072	27,109
Vehicle expenses	2,340	8,863
Information and publications	<u>1,219</u>	<u>1,025</u>
	<u>\$ 299,982</u>	<u>\$ 291,637</u>