

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Financial Statements
Year Ended December 31, 2016

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Year Ended December 31, 2016

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DART BRYANT
CHARTERED ACCOUNTANTS

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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, 2016 and the statements of revenues and expenses, 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, 2016, current assets and net assets as at January 1, 2016 and December 31, 2016

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, 2016 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.

CHARTERED ACCOUNTANTS

Calgary, Alberta
June 26, 2017

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash (Note 4)	\$ 793,716	\$ 701,144
Marketable securities (Note 5)	49,500	33,905
Accounts receivable	46,246	46,846
Goods and services tax recoverable	3,697	6,288
Prepaid expenses	-	2,112
	893,159	790,295
CAPITAL ASSETS (Note 6)	66,049	21,548
	\$ 959,208	\$ 811,843
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 91,523	\$ 53,791
DEFERRED CONTRIBUTIONS (Note 7)	161,795	220,219
	253,318	274,010
NET ASSETS		
General fund	639,841	516,286
Investment in capital assets	66,049	21,547
	705,890	537,833
	\$ 959,208	\$ 811,843

ON BEHALF OF THE BOARD

_____ Director

_____ Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Revenues and Expenses
Year Ended December 31, 2016

	2016	2015
REVENUES		
Contributions <i>(Note 9.)</i>	\$ 2,447,614	\$ 3,271,834
Donated goods <i>(Note 8)</i>	154,038	184,653
Investment income <i>(Note 5)</i>	15,802	(4,052)
	<u>2,617,454</u>	<u>3,452,435</u>
EXPENSES		
INTERNATIONAL PROGRAMS		
Child sponsorship programs	598,451	603,158
Missions projects, church and pastor support	805,057	817,180
Medical - dental aid programs	59,976	112,499
Relief aid programs	422,312	1,232,379
	<u>1,885,796</u>	<u>2,765,216</u>
CANADIAN PROGRAMS - Education	201,797	157,053
FUND-RAISING <i>(Note 9.) and (Schedule 1)</i>	65,849	92,570
ADMINISTRATION <i>(Schedule 2)</i>	295,955	268,432
	<u>2,449,397</u>	<u>3,283,271</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 168,057</u>	<u>\$ 169,164</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2016

	General Fund	Investment in capital assets	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 516,286	\$ 21,547	\$ 537,833	\$ 368,669
Excess (deficiency) of revenues over expenses	168,057	-	168,057	169,164
Net increase in capital assets	(49,934)	49,934	-	-
Amortization	5,432	(5,432)	-	-
NET ASSETS - END OF YEAR	\$ 639,841	\$ 66,049	\$ 705,890	\$ 537,833

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Cash receipts from supporters	\$ 2,385,297	\$ 3,235,776
Cash paid for programs, fund-raising and administration	(2,255,898)	(3,119,223)
Interest received	2,332	1,648
Interest paid	2	-
Goods and services tax	8,404	4,328
Cash flow from operating activities	<u>140,137</u>	<u>122,529</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(66,527)	-
Proceeds on disposal of capital assets	18,962	-
Cash flow used by investing activities	<u>(47,565)</u>	<u>-</u>
INCREASE IN CASH FLOW	92,572	122,529
Cash - beginning of year	<u>701,144</u>	<u>578,615</u>
CASH - END OF YEAR (Note 4)	<u>\$ 793,716</u>	<u>\$ 701,144</u>
CASH CONSISTS OF:		
Cash	<u>\$ 793,716</u>	<u>\$ 701,144</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2016

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 and in the Caribbean Region and Central America . 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 continued October 6, 2014. HART 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.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2016

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
Leasehold improvements	over the term of the lease	straight-line 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, 2016

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.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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, 2016.

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 that the organization's ability to fund its various international programs will be adversely affected due to 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, 2016

4. CASH AND CASH EQUIVALENTS

	2016	2015
Cash	\$ 606,292	\$ 672,895
Cash restricted for specific purposes	158,774	-
Term deposit	10,113	10,080
Deposit with Abundance Canada	18,537	18,169
	\$ 793,716	\$ 701,144

HART has bank accounts totalling \$69,325 US (2015: \$29,720 US) which are included in cash of \$793,715 (2015: \$701,144) at their Canadian equivalent at year-end.

The term deposits have been pledged as security for issued credit cards.

The deposit with Abundance Canada bears interest at 2.00% 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

	2016	2015
Marketable securities	\$ 49,500	\$ 33,905

Most of the marketable securities were donated when the shares had a value of \$22,700. The unrealized (loss) gain for the year of \$13,470 (2015: \$(5,700)) due to the increase (decrease) in the fair market value of the investments has been included in investment income (loss) of \$15,802 (2015: \$(4,052)).

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Vehicles	\$ 43,755	\$ 17,164	\$ 26,591	\$ 17,994
Computer equipment	29,948	27,105	2,843	2,365
Computer software	880	754	126	180
Furniture and fixtures	11,394	6,230	5,164	1,009
Leasehold improvements	32,630	1,305	31,325	-
	\$ 118,607	\$ 52,558	\$ 66,049	\$ 21,548

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2016

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.

Contributions for the Education Fund are used to assist motivated young people from underprivileged families realize their dream of furthering their education or receiving the necessary vocational training to get a decent job.

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.

	2015	Received	Recognized in revenue	2016
Humanitarian Relief Aid	\$ -	\$ 440,388	\$ 440,388	\$ -
National Partners Support	168,144	168,947	267,085	70,006
Medical - dental aid	42,779	16,284	59,063	-
Education Fund	-	120,295	31,546	88,749
Education program	9,296	-	6,256	3,040
	\$ 220,219	\$ 745,914	\$ 804,338	\$ 161,795

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

8. DONATED GOODS

These financial statements include revenue and expenses for donated goods in kind totalling \$154,038 (2015: \$184,653) 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 \$1,746,183 (2015: \$2,603,141) (*Note 10*). This includes donated goods having a fair value of \$26,888 (2015: \$52,153) for which donation receipts were issued, as well as \$127,150 (2015: \$132,500) in respect of the estimated fair value of shoes, clothing, toys and medicines shipped to the Ukraine for which no donation receipts have been issued.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2016

9. 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. This revenue of \$375,314 is included in total Contributions of \$2,447,614 reported in the statement of revenues and expenses.

	Revenue	Expenses	2016
<u>Calgary Auction</u>			
Camp ministry and other donations	\$ 130,166	\$ 28,555	\$ 101,611
Ticket sales	16,790	-	16,790
	<u>146,956</u>	<u>28,555</u>	<u>118,401</u>
<u>Edmonton Auction</u>			
Camp ministry and other donations	43,849	15,005	28,844
Ticket sales	9,345	-	9,345
	<u>53,194</u>	<u>15,005</u>	<u>38,189</u>
<u>Fall Dinners</u>			
Calgary donations	152,689	18,786	133,903
Edmonton donations	13,260	2,151	11,109
Abbotsford donations	9,215	-	9,215
Other fundraising expenses	-	1,352	(1,352)
	<u>175,164</u>	<u>22,289</u>	<u>152,875</u>
	<u>\$ 375,314</u>	<u>\$ 65,849</u>	<u>\$ 309,465</u>

10. CLASSIFICATION OF EXPENSES

	2016	2015
Humanitarian relief aid, medical and missions	\$ 1,746,183	\$ 2,603,141
Salaries and benefits	400,729	387,304
Fund-raising	65,849	92,571
Occupancy costs	50,854	50,061
Office supplies	115,250	60,350
Telecommunications, publications	13,046	23,672
Bank and wire charges	21,832	24,232
Professional fees	19,400	23,003
Amortization	5,432	9,054
Insurance	5,487	2,864
Travel	5,335	1,892
Advertising and promotion	-	5,128
	<u>\$ 2,449,397</u>	<u>\$ 3,283,272</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2016

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 \$12,835 (2015: \$14,828) to HART, all of which was transferred directly to the Ukraine to fund program expenses. As at December 31, 2016 and 2015, there was no balance receivable from HART USA.

12. CONTRACTUAL OBLIGATIONS

HART entered into a three year lease for office and warehouse space which expires August 31, 2019. The lease requires annual base rent of \$60,000 plus annual operating costs. The executive director of HART is also a director of the organization providing the lease. The rent and terms of the lease are considered to be at fair market value.

HART also has a lease for office equipment that expires in 2018. Payments for the next three years are estimated to be:

Contractual obligation repayment schedule:

2017	\$ 62,472
2018	62,472
2019	<u>40,000</u>
	<u>\$ 164,944</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, 2016

FUND-RAISING

(Schedule 1)

	2016	2015
General fundraising expense	\$ 1,352	\$ 16,281
Auction expenses	43,560	52,460
Fall dinner expense	20,937	23,829
	<u>\$ 65,849</u>	<u>\$ 92,570</u>

ADMINISTRATION

(Schedule 2)

	2016	2015
Amortization	\$ 5,432	\$ 9,054
Bank charges	21,832	24,232
Office	48,619	33,237
Professional services	19,400	23,003
Occupancy costs	50,854	50,061
Salaries and benefits	133,593	109,183
Telecommunications	8,778	11,251
Vehicle expenses	7,447	3,283
Information and publications	-	5,128
	<u>\$ 295,955</u>	<u>\$ 268,432</u>