

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Financial Statements
Year Ended December 31, 2017

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
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Year Ended December 31, 2017

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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, 2017 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, 2017, current assets and net assets as at January 1, 2017 and December 31, 2017

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, 2017 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 25, 2018


Chartered Professional Accountants

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash (Note 4)	\$ 908,235	\$ 793,716
Marketable securities (Note 5)	64,131	49,500
Accounts receivable	8,496	46,246
Goods and services tax recoverable	3,913	3,697
	984,775	893,159
CAPITAL ASSETS (Note 6)	56,175	66,050
	\$ 1,040,950	\$ 959,209
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 28,931	\$ 91,524
DEFERRED CONTRIBUTIONS (Note 7)	292,167	161,795
	321,098	253,319
NET ASSETS		
General fund	663,677	639,841
Investment in capital assets	56,175	66,049
	719,852	705,890
	\$ 1,040,950	\$ 959,209

ON BEHALF OF THE BOARD

_____ Director

_____ Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Revenues and Expenses
Year Ended December 31, 2017

	2017	2016
REVENUES		
Contributions <i>(Note 10.)</i>	\$ 2,726,135	\$ 2,447,614
Donated goods <i>(Note 9)</i>	153,520	154,038
Investment income <i>(Note 5)</i>	5,060	15,802
	<u>2,884,715</u>	<u>2,617,454</u>
EXPENSES		
INTERNATIONAL PROGRAMS		
Child sponsorship programs	733,851	598,451
Missions projects, church and pastor support	730,799	805,057
Medical - dental aid programs	52,634	59,976
Relief aid programs	783,701	422,312
	<u>2,300,985</u>	<u>1,885,796</u>
CANADIAN PROGRAMS - Education	184,162	201,797
FUND-RAISING <i>(Note 10.) and (Schedule 1)</i>	83,597	65,849
ADMINISTRATION <i>(Schedule 2)</i>	302,009	295,955
	<u>2,870,753</u>	<u>2,449,397</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 13,962</u>	<u>\$ 168,057</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2017

	General Fund	Investment in capital assets	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 639,841	\$ 66,049	\$ 705,890	\$ 537,833
Excess (deficiency) of revenues over expenses	13,962	-	13,962	168,057
Net increase in capital assets	(1,924)	1,924	-	-
Amortization	11,798	(11,798)	-	-
NET ASSETS - END OF YEAR	\$ 663,677	\$ 56,175	\$ 719,852	\$ 705,890

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Cash receipts from supporters	\$ 2,894,259	\$ 2,385,297
Cash paid for programs, fund-raising and administration	(2,768,027)	(2,255,898)
Interest and dividends received	2,901	2,334
Goods and services tax	(217)	8,404
	<u>128,916</u>	<u>140,137</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,923)	(66,527)
Proceeds on disposal of capital assets	-	18,962
Proceeds from sale of marketable securities	31,345	-
Purchase of marketable securities	(43,819)	-
	<u>(14,397)</u>	<u>(47,565)</u>
Cash flow from operating activities	<u>128,916</u>	<u>140,137</u>
Cash flow used by investing activities	<u>(14,397)</u>	<u>(47,565)</u>
INCREASE IN CASH FLOW	114,519	92,572
Cash - beginning of year	<u>793,716</u>	<u>701,144</u>
CASH - END OF YEAR (Note 4)	\$ 908,235	\$ 793,716
CASH CONSISTS OF:		
Cash	<u>\$ 908,235</u>	<u>\$ 793,716</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2017

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.

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.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2017

2. ACCOUNTING POLICIES *(continued)*

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.

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.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2017

2. ACCOUNTING POLICIES *(continued)*

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

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.

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, 2017.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. 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.

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.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The organization is exposed to interest rate risk primarily through its term deposits.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2017

4. CASH AND CASH EQUIVALENTS

	2017	2016
Cash	\$ 591,291	\$ 606,292
Cash restricted for specific purposes (Note 7)	262,962	158,774
Term deposits	35,139	10,113
Deposit with Abundance Canada	18,843	18,537
	\$ 908,235	\$ 793,716

HART has bank accounts totalling \$14,625US (2016: \$69,235US) which are included in cash of \$591,291 (2016: \$606,292) at their Canadian equivalent at year-end.

The term deposits bear interest at 1.1% to maturity in August 2018, and have been pledged as security for issued credit cards.

The deposit with Abundance Canada bears interest at 1.51% 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

	2017	2016
Marketable securities	\$ 64,131	\$ 49,500

Included in investment income of \$5,060 (2016: \$15,802) are realized and unrealized gains (losses) on investments. There was an unrealized gain of \$2,157 (2016: \$13,470) due to the increase (decrease) in the fair market value of the investments compared to their carrying value at the beginning of the year.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Vehicles	\$ 43,755	\$ 25,141	\$ 18,614	\$ 26,592
Computer equipment	31,205	28,335	2,870	2,843
Computer software	880	792	88	126
Furniture and fixtures	12,061	7,530	4,531	5,164
Leasehold improvements	32,630	2,558	30,072	31,325
	\$ 120,531	\$ 64,356	\$ 56,175	\$ 66,050

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2017

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.

An education 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.

	2016	Received	Recognized in revenue	2017
Humanitarian Relief Aid	\$ -	\$ 121,986	\$ -	\$ 121,986
National Partners Support	70,006	55	30,000	40,061
Education Fund	88,749	144,685	106,354	127,080
Education grant	3,040	-	-	3,040
	<u>\$ 161,795</u>	<u>\$ 266,726</u>	<u>\$ 136,354</u>	<u>\$ 292,167</u>

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

8. CONTRIBUTIONS

Included in total contributions of \$2,726,135 are contributions used in the following geographic areas:

	<u>2017</u>
<u>Section heading</u>	
Eastern Europe programs	\$ 1,456,932
Eastern Europe missions trips	62,064
Caribbean programs	421,735
Canada	785,404
	-
	<u>\$ 2,726,135</u>

During the year donations of \$161,120 were received from another organization of which the president of HART is a director. These contributions were recorded at the cash value received and were mainly for the general operations of HART.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2017

9. DONATED GOODS

These financial statements include revenue and expenses for donated goods in kind totalling \$179,160 (2016: \$154,038) 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 \$2,210,234 (2016: \$1,746,073) (*Note 11*). This includes donated goods having a fair value of \$37,193 (2016: \$26,888) for which donation receipts were issued, as well as \$141,967 (2016: \$127,150) 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, 2017

10. SUMMARY OF FUNDRAISING EVENTS

Throughout 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 \$302,640 is included in total Contributions of \$2,726,135 reported in the statement of revenues and expenses.

	Revenue	Expenses	2017
<u>Calgary Auction</u>			
Camp ministry and other donations	\$ 122,901	\$ 34,497	\$ 88,404
Ticket sales	16,980	-	16,980
	<u>139,881</u>	<u>34,497</u>	<u>105,384</u>
<u>Edmonton Auction</u>			
Camp ministry and other donations	37,735	10,714	27,021
Ticket sales	8,230	-	8,230
	<u>45,965</u>	<u>10,714</u>	<u>35,251</u>
<u>Fall Dinners</u>			
Calgary donations	77,915	20,569	57,346
Other fundraising expenses	-	1,272	(1,272)
	<u>77,915</u>	<u>21,841</u>	<u>56,074</u>
<u>Golf Tournament</u>			
Funds raised	29,504	16,545	12,959
	<u>\$ 293,265</u>	<u>\$ 83,597</u>	<u>\$ 209,668</u>

11. CLASSIFICATION OF EXPENSES

	2017	2016
Humanitarian relief aid, medical and missions	\$ 2,184,594	\$ 1,746,073
Salaries and benefits	330,809	400,729
Fund-raising	83,597	65,849
Occupancy costs	72,713	50,854
Office supplies	104,771	115,250
Telecommunications, publications	22,677	13,046
Bank and wire charges	30,508	21,832
Professional fees	22,649	19,400
Amortization	11,798	5,432
Insurance	3,530	5,487
Travel	3,107	5,445
	<u>\$ 2,870,753</u>	<u>\$ 2,449,397</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2017

12. 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 USD\$10,000 (2016: \$12,835) to HART, all of which was transferred directly to the Ukraine to fund program expenses. As at December 31, 2017 and 2016, there was no balance receivable from HART USA.

13. 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:

2018	\$	62,472
2019		<u>40,000</u>
	\$	<u>102,472</u>

14. 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, 2017

FUND-RAISING

(Schedule 1)

	2017	2016
General fundraising expense	\$ 7,203	\$ 1,352
Auction expenses	39,280	43,560
Fall dinner expense	37,114	20,937
	<u>\$ 83,597</u>	<u>\$ 65,849</u>

ADMINISTRATION

(Schedule 2)

	2017	2016
Amortization	\$ 11,798	\$ 5,432
Bank charges	30,508	21,832
Office	41,864	48,619
Professional services	22,649	19,400
Occupancy costs	72,713	50,854
Salaries and benefits	102,503	133,593
Telecommunications	16,944	8,778
Vehicle expenses	3,030	7,447
	<u>\$ 302,009</u>	<u>\$ 295,955</u>