

**HUMANITARIAN AID RESPONSE TEAMS
SOCIETY**

Financial Statements

Year Ended December 31, 2019

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Index to Financial Statements
Year Ended December 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Revenues and Expenses	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 15



DART BRYANT LLP
Chartered Professional Accountants
#250, 1319 Edmonton Trail NE
Calgary, Alberta T2E 4Y8

David R Dart, CPA, CA
Edwin L Bryant, CPA, CA
Denis G Perron, CPA, CA

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Humanitarian Aid Response Teams Society

Qualified Opinion

We have audited the financial statements of Humanitarian Aid Response Teams Society (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from contributions and donated goods 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. Therefore, we were not able to determine whether any adjustments might be necessary to recorded contributions, operational excess, cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

(continues)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

July 31, 2020



Chartered Professional Accountants

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash (Note 4)	\$ 1,142,464	\$ 1,140,455
Marketable securities	-	57,641
Accounts receivable	12,476	8,646
Goods and services tax recoverable	3,722	4,501
	<u>1,158,662</u>	<u>1,211,243</u>
EQUIPMENT (Note 5)	<u>24,246</u>	<u>28,981</u>
	<u>\$ 1,182,908</u>	<u>\$ 1,240,224</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 41,454	\$ 52,731
DEFERRED CONTRIBUTIONS (Note 6)	<u>159,318</u>	<u>240,904</u>
	<u>200,772</u>	<u>293,635</u>
NET ASSETS		
General fund	923,345	917,607
Project funds (Note 7)	34,545	-
Investment in capital assets (Note 5)	<u>24,246</u>	<u>28,982</u>
	<u>982,136</u>	<u>946,589</u>
	<u>\$ 1,182,908</u>	<u>\$ 1,240,224</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Statement of Revenues and Expenses

Year Ended December 31, 2019

	2019	2018
REVENUES		
Contributions (Note 8)	\$ 2,228,321	\$ 2,451,303
Donated goods (Note 9)	196,328	97,075
Investment income (loss)	14,388	(4,994)
	<u>2,439,037</u>	<u>2,543,384</u>
EXPENSES		
INTERNATIONAL PROGRAMS (Note 10)		
Child sponsorship programs	552,264	544,844
Education sponsorship programs	113,523	140,816
Missions projects, church and pastor support	800,261	502,821
Medical aid programs	90,969	40,693
Relief aid programs	285,633	462,202
	<u>1,842,650</u>	<u>1,691,376</u>
CANADIAN PROGRAMS		
Domestic ministries (Note 11)	119,228	165,590
Fundraising expenses (Note 12)	108,788	153,439
Administration (Note 13)	332,824	306,240
	<u>2,403,490</u>	<u>2,316,645</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 35,547</u>	<u>\$ 226,739</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2019

	General Fund	Investment in capital assets	Project Funds	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 917,607	\$ 28,982	\$ -	\$ 946,589	\$ 719,850
Excess of revenues over expenses	1,002	-	34,545	35,547	226,739
Purchases of capital assets	(3,080)	3,080	-	-	-
Amortization	7,816	(7,816)	-	-	-
NET ASSETS - END OF YEAR	\$ 923,345	\$ 24,246	\$ 34,545	\$ 982,136	\$ 946,589

HUMANITARIAN AID RESPONSE TEAMS SOCIETY**Statement of Cash Flows****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from supporters	\$ 2,152,107	\$ 2,397,742
Cash paid for programs, fund-raising and administration	(2,209,847)	(2,179,261)
Interest and dividend received	5,187	5,348
Cash flow from (used by) operating activities	(52,553)	223,829
INVESTING ACTIVITIES		
Purchase of equipment	(3,079)	(4,690)
Proceeds on disposal of equipment	-	14,791
Purchase of marketable securities	-	(1,710)
Proceeds from sale of marketable securities	57,641	-
Cash flow from investing activities	54,562	8,391
INCREASE IN CASH FLOW	2,009	232,220
Cash - beginning of year	1,140,455	908,235
CASH - END OF YEAR	\$ 1,142,464	\$ 1,140,455

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

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 Organization is a registered charity under the Income Tax Act authorized to issue income tax receipts, it is also exempt from income taxes.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared on a going concern basis in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

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.

Financial instruments subsequently measured at amortized cost includes accounts receivable, accounts payable and deferred contributions. Cash and marketable securities are measured at fair value.

(continues)

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT 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 are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

The most significant estimates included in these financial statements include useful life of capital assets, the amount of accrued liabilities, deferred contributions and valuation of donated materials.

Revenue recognition

HART follows the deferral method of accounting for contributions.

- a) Restricted contributions are recognized as deferred contributions and brought into revenue in the year in which the related expenses are incurred.
- b) 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.
- c) 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.
- d) 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.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the rate of exchange prevailing at the date of transaction. 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 are made up mostly of unrestricted cash and short-term investments with original maturity of three months or less from the date of acquisition.

Marketable securities

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income.

(continues)

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is stated at cost less accumulated amortization and is amortized over its estimated useful life 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	term of the lease	straight-line method

The organization regularly reviews its equipment to eliminate obsolete items. Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their fair value. The impairment test consists of a comparison of the fair value of the capital assets with their carrying amount. When the carrying amount exceeds the fair value, an impairment loss equal to the difference is recognized in income.

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 expenses

HART presents the expenses in its statement of operations on the basis of Programs and Support functions undertaken. Program expenses are those costs which are directly related to the undertaking of the various programs; support expenses, which include fund-raising. Management and general costs are not allocated to programs expense where the costs are not directly related to a specific program.

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, 2019.

Currency risk

Currency risk is the risk to the organization's expenses that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization collects donations denominated in Canadian dollars but disburses cash grants to partner organizations in US dollars. During the year, the organization spent \$1,425,135 (2018: \$1,320,634) in cash grants. At year end, the organization held the following assets in US dollars:

	2019	2018
Net foreign currency exposure in cash	\$ 179,638	\$ 13,121

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

4. CASH AND CASH EQUIVALENTS

	2019	2018
Cash	\$ 886,652	\$ 863,973
Term deposits (pledged as credit cards deposit)	35,578	35,578
Cash restricted for specific purposes (Note 6)	220,234	240,904
	<u>\$ 1,142,464</u>	<u>\$ 1,140,455</u>

5. EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Vehicles	\$ 17,000	\$ 16,664	\$ 336	\$ 480
Computer equipment	35,689	31,439	4,250	2,991
Computer software	880	837	43	62
Furniture and fixtures	15,347	11,734	3,613	6,253
Leasehold improvements	32,630	16,626	16,004	19,195
	<u>\$ 101,546</u>	<u>\$ 77,300</u>	<u>\$ 24,246</u>	<u>\$ 28,981</u>

6. 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 Humanitarian Relief Aid are used for crisis response and assistance for individuals and families in need.

Contributions for the Scholarship 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.

	Beginning 2019	Received	Recognized in revenue	Ending 2019
National Partners Support	\$ 86,686	\$ 50,000	\$ 136,686	\$ -
Humanitarian Relief Aid	72,633	243,178	156,493	159,318
Scholarship Fund	78,545	-	78,545	-
Education Grant	3,040	-	3,040	-
	<u>\$ 240,904</u>	<u>\$ 293,178</u>	<u>\$ 374,764</u>	<u>\$ 159,318</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

7. PROJECT FUNDS

The Education Scholarship Programs Fund is 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.

	2018	Contributions	Utilized/ transferred	2019
Education sponsorship programs	\$ -	\$ 96,624	\$ 61,079	\$ 35,545

8. CONTRIBUTIONS

During the year, the organization received the following contributions to its programs. Except the contributions disclosed in Note 6, all contributions are considered unrestricted or internally restricted. When the organization receive more contributions for a given project than the cost incurred, it will use the remaining funds to meet a similar project as directed by the board.

	2019	2018
General and fundraising	\$ 855,798	\$ 1,098,169
Child and education sponsorship programs	647,143	662,308
Missions programs	348,350	239,793
Medical aid programs	29,695	26,521
Relief aid programs	347,335	424,512
	<u>\$ 2,228,321</u>	<u>\$ 2,451,303</u>

9. DONATED GOODS

These financial statements include revenue and expenses for donated goods in kind for two purposes: 1) used in the Child Sponsorship, National Partners Support, and Relief Aid programs and are included in Humanitarian relief aid, medical and missions expense 2) used in auctions and are included in fundraising expenses

	2019	2018
International program - donated goods	\$ 93,601	\$ 63,150
International program -Donated marketable securities	74,468	763
Fundraising - donated auction items	28,259	33,162
	<u>\$ 196,328</u>	<u>\$ 97,075</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

10. INTERNATIONAL PROGRAMS

	2019	2018
Ukraine - Program funding	\$ 1,308,972	\$ 1,114,694
Ukraine - Gift in kinds and shipping	139,931	78,052
Moldova - Program funding	67,125	75,267
Romanaia - Program funding	29,000	36,505
Haiti - Program funding	20,038	94,167
Program overheads	129,144	154,914
Overseas support team	148,440	137,777
Total program expenses	\$ 1,842,650	\$ 1,691,376

11. DOMESTIC MINISTRY

The focus of domestic ministries is to provide information through newsletters, website updates and presentations, that educates as to the challenges and successes experienced by those serving and being served in the Ukraine and other areas in which HART is present, as well as encouraging those interested to become engaged financially and / or through volunteer opportunities.

12. 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. Fundraising revenue is included in contributions reported in the statement of revenues and expenses.

	Revenue	Expenses	2019	2018
Calgary Auction	\$ 127,739	\$ 60,455	\$ 67,284	\$ 72,390
Edmonton Auction	44,900	21,641	23,259	20,370
Calgary Fall Dinner	119,527	26,692	92,835	63,657
Calgary Golf	-	-	-	25,240
General fundraising	-	-	-	21,235
	\$ 292,166	\$ 108,788	\$ 183,378	\$ 202,892

13. ADMINISTRATION

	2019	2018
Salaries and wages	\$ 127,694	\$ 106,012
Rental	73,622	78,339
Office and communication	59,887	46,304
Professional and consulting fees	31,165	35,409
Bank charges and credit card processing fees	27,655	16,178
Amortization	7,816	17,078
Insurance	3,658	3,620
Travel expenses	1,327	3,300
	\$ 332,824	\$ 306,240

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

14. RELATED PARTY TRANSACTIONS

HART has a three year lease for office and warehouse space with an organization of which the President of HART is also a director. During the year, payments of \$65,875 (2018 - \$71,667) were made to this organization for rent of space, with an accounts payable balance at \$NIL (2018 - \$10,000) at December 31, 2019.

15. CLASSIFICATION OF EXPENSES

	2019	2018
Humanitarian relief and aid, medical and missions	\$ 1,696,369	\$ 1,560,948
Salaries and benefits	365,149	371,725
Fund-raising	108,788	153,439
Occupancy costs	73,622	78,339
Office supplies	63,408	52,678
Telecommunications, publications	24,534	23,931
Bank and wire charges	27,655	16,178
Professional fees	31,165	35,409
Amortization	7,816	17,078
Insurance	3,621	3,618
Travel	1,363	3,302
	<u>\$ 2,403,490</u>	<u>\$ 2,316,645</u>

16. CONTRACTUAL OBLIGATIONS

HART entered into a three year lease for office and warehouse space which expires August 2022. The lease requires annual base rent of \$60,000 plus annual operating costs. The president 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.

The organization also has a lease for office equipment that expires in 2022 for \$2,090 per annum plus annual operating cost.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2019

17. SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization categorized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has led to a number of public health and emergency measures which have been put in place by various levels of government to attempt to combat the spread of the virus. With the Canadian government issuing a global travel advisory on all non-essential travel outside Canada effective March 13, 2020 due to COVID-19, the travel restrictions affect the cross-border collaboration between HART and its mission partners.

Subsequent to year end, the Calgary and Edmonton Auctions were moved to an online platform due to the gathering restrictions imposed by the provincial government. The organization has developed a contingent plan in case the camp ministry in Ukraine cannot be run in the summer.

At this time, the duration and potential impact of COVID-19 is unknown and it is not possible to reliably estimate the impact these events may have on the financial results and condition of the organization in future periods.
