

**HUMANITARIAN AID RESPONSE TEAMS
SOCIETY**

Financial Statements

Year Ended December 31, 2021

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
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Year Ended December 31, 2021

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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, 2021, 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, 2021, 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, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 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.

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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.

August 20, 2022



Chartered Professional Accountants

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash and cash equivalent	\$ 1,749,887	\$ 1,610,056
Accounts receivable	1,411	1,411
Goods and services tax recoverable	3,119	4,199
Government subsidies receivable	25,051	72,253
	<u>1,779,468</u>	<u>1,687,919</u>
CAPITAL ASSETS (Note 4)	<u>24,894</u>	<u>16,800</u>
	<u>\$ 1,804,362</u>	<u>\$ 1,704,719</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 33,539	\$ 37,083
CEBA LOAN PAYABLE (Note 5)	40,000	40,000
DEFERRED CONTRIBUTIONS (Note 6)	191,528	199,160
TOTAL LIABILITIES	<u>265,067</u>	<u>276,243</u>
General fund	500,000	1,345,282
Future development funds (Note 7)	1,014,401	66,394
Investment in capital assets (Note 4)	24,894	16,800
	<u>1,539,295</u>	<u>1,428,476</u>
	<u>\$ 1,804,362</u>	<u>\$ 1,704,719</u>

ON BEHALF OF THE BOARD


 _____ Director
 _____ Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Revenues and Expenses
Year Ended December 31, 2021

	2021	2020
REVENUES		
General fund (where best needed)	\$ 596,924	\$ 524,852
Child sponsorship programs	451,397	458,428
Education sponsorship programs	154,868	146,489
Missions projects, church and pastor support	322,681	379,530
Medical aid programs	56,548	52,075
Relief aid programs	399,206	429,488
Administration donations (Note 8)	225,290	224,355
Donated goods (Note 9)	64,772	56,136
Investment income (loss)	1,926	2,880
	<u>2,273,612</u>	<u>2,274,233</u>
EXPENSES		
INTERNATIONAL PROGRAMS		
Child sponsorship programs	504,558	437,421
Education sponsorship programs	143,886	125,540
Missions projects, church and pastor support	651,498	524,791
Medical aid programs	84,318	57,937
Relief aid programs	396,968	368,935
	<u>1,781,228</u>	<u>1,514,624</u>
CANADIAN PROGRAMS		
Domestic ministries (Note 10)	126,698	135,818
Fundraising expenses	55,794	79,907
Administration support for programs	235,886	213,339
	<u>2,199,606</u>	<u>1,943,688</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	74,006	330,545
GOVERNMENT SUBSIDIES (Note 11)	36,813	115,796
EXCESS OF REVENUES OVER EXPENSES	\$ 110,819	\$ 446,341

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2021

	General fund	Invested in capital assets	Future development funds	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 1,345,282	\$ 16,800	\$ 66,394	\$ 1,428,476	\$ 982,135
Excess of revenues over expenses	110,819	-	-	110,819	446,341
Purchase of capital assets	(16,200)	16,200	-	-	-
Amortization	8,106	(8,106)	-	-	-
Board approved transfer	(948,007)	-	948,007	-	-
NET ASSETS - END OF YEAR	\$ 500,000	\$ 24,894	\$ 1,014,401	\$ 1,539,295	\$ 1,428,476

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 110,819	\$ 446,341
Item not affecting cash:		
Amortization of capital assets	8,106	7,446
	<u>118,925</u>	<u>453,787</u>
Changes in non-cash working capital:		
Accounts receivable	-	11,065
Government subsidies receivable	47,202	(72,253)
Accounts payable	(3,544)	(4,371)
Goods and services tax recoverable	1,080	(477)
Deferred contributions	(7,632)	39,842
	<u>37,106</u>	<u>(26,194)</u>
Cash flow from operating activities	<u>156,031</u>	<u>427,593</u>
INVESTING ACTIVITY		
Purchase of equipment	<u>(16,200)</u>	<u>-</u>
FINANCING ACTIVITY		
CEBA loan advance	<u>-</u>	<u>40,000</u>
INCREASE IN CASH FLOW	139,831	467,593
Cash and cash equivalents - beginning of year	<u>1,610,056</u>	<u>1,142,464</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,749,887	\$ 1,610,057
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 1,713,384	\$ 1,574,478
Cash equivalents	<u>36,503</u>	<u>35,578</u>
	<u>\$ 1,749,887</u>	<u>\$ 1,610,056</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

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 in Ukraine, as well as in several other Eastern European countries; 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 and began operations in 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 economically dependent on each 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 cash and cash equivalents, accounts receivable, accounts payable, CEBA loan payable and deferred contributions. Marketable securities are measured at fair value.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2021

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 and impairment of capital assets, the amount of accrued liabilities, deferred contributions, valuation of donated materials and allocation of administrative expenses.

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) Donations of goods (gifts in kind) are recorded when the fair market value is reasonably determinable. When their independent fair values cannot be reasonably determined, they 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.
- d) Investment income is recognized as earned.

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.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

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

Capital assets

Capital assets are stated at cost less accumulated amortization and 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	term of the lease straight-line method

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

Capital assets 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, 2021.

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 \$1,451,727 (2020: \$1,230,054) in cash grants. At year end, the organization held \$74,275 (2020: \$106,128) cash in US dollars.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2021

4. EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Vehicles	\$ 27,200	\$ 16,835	\$ 10,365	\$ 235
Computer equipment	42,568	37,464	5,104	3,006
Furniture and fixtures	15,347	13,035	2,312	2,890
Leasehold improvements	32,630	25,517	7,113	10,669
	<u>\$ 117,745</u>	<u>\$ 92,851</u>	<u>\$ 24,894</u>	<u>\$ 16,800</u>

5. CEBA LOAN PAYABLE

The Canadian Emergency Business Account (CEBA) loan payable bears interest at 0% per annum until December 31, 2023. If the loan is not repaid by December 2023, it will be converted into a 2-year term loan bearing interest at 5% per annum.

The Organization was advanced \$40,000 during 2020 of which \$10,000 will be forgiven if the loan is repaid by December 2023. The forgiveness will be recognized as revenue in the year it is repaid and all of the criteria for earning the forgiveness are achieved.

6. DEFERRED CONTRIBUTIONS

HART accepts contributions from various partners who restrict the donation to specific partners and projects in Ukraine and Eastern Europe under the National Partners Program. Those partners are heavily involved in the daily operation of the programs and projects, usually with the assistance from HART staffing, resources and connections in the local community.

	2020	Contributions	Utilized	2021
National Partners Support	\$ 199,160	\$ 186,527	\$ 194,159	\$ 191,528

7. INTERNALLY RESTRICTED FUNDS

The Future development fund is used to cover any shortfalls or new funding required for the following HART projects and programs, including but not limited to: Child Sponsor Program, Education programs, Church Construction projects, summer camp programs, medical care projects, relief (refugee) aid programs and the Ukraine Crisis projects.

	2020	Contributions (utilization)	Transfer in (out)	2021
Future development funds	\$ 66,394	\$ -	\$ 948,007	\$ 1,014,401

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2021

8. ADMINISTRATION DONATIONS

Much of HART's operational costs are covered by generous private donors who believe in our mission. These donors understand that operating a ministry requires overhead costs. Their support covers operational overheads such as administrative salaries, office rent, office expenses and supplies. These donors are a blessing to the operations and their investments stabilize the operations to pursue long term mission goals.

In additions to the designated administration donations discussed above, the organization allocates up to 5% of gross donation to cover the remaining administrative costs.

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, and 2) used in auctions and are included in fundraising expenses.

	<u>2021</u>	<u>2020</u>
International programs - donated goods	\$ 40,207	\$ 32,395
Fundraising - donated auction items	<u>24,565</u>	<u>23,741</u>
	<u>\$ 64,772</u>	<u>\$ 56,136</u>

10. DOMESTIC MINISTRY

The focus of domestic ministries is to provide information through newsletters, website updates and presentations, that educate 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 in becoming engaged financially and / or through volunteer opportunities.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2021

11. GOVERNMENT SUBSIDIES

	<u>2021</u>	<u>2020</u>
Canada Emergency Wages Subsidy	\$ 29,956	\$ 110,760
Canada Emergency Rent Subsidy	<u>6,857</u>	<u>5,036</u>
	<u>\$ 36,813</u>	<u>\$ 115,796</u>

12. 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 \$60,000 (2020 - \$60,000) were made to this organization for rent of space.

13. 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, 2021

14. SUBSEQUENT EVENTS

In early 2020, 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.

During the year, the Calgary and Edmonton Auctions were moved to an online platform due to the gathering restrictions imposed by the provincial government. Since the camp ministry in Ukraine was ran at reduced capacity in the summer, the Organization reallocated its resources to focus on medical reliefs to the local communities.

Furthermore, with the Canadian government continuing the global travel advisories on all non-essential travel outside Canada during the fiscal year to combat the global pandemic.

The majority of HART's projects operate in Ukraine. In early 2022, Ukraine and its surrounding countries have been affected by the ongoing military conflict with Russia. As a humanitarian organization, HART has significantly increased its relief and refugee project expenditures. As a result of the conflict, HART has encountered difficulties in border crossings and meeting the sudden increase demand in humanitarian needs.

At this time, the duration and potential impact of COVID-19 and military conflict 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.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The Organization has reclassified \$99,807 from administrative expenses to International programs (\$54,502), Domestic ministries (\$30,203) and Fundraising (\$15,102) in 2021.
