

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Financial Statements
Year Ended December 31, 2022

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Index to Financial Statements
Year Ended December 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



Dart Bryant LLP
Chartered Professional Accountants
250, 1319 Edmonton Trail NE
Calgary, Alberta - T2E 4Y8
www.dartbryant.com
P. 403-230-3764
F. 403-230-3766

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, 2022, and the statements of revenues and expenditures, 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, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified because of the effects of this departure from Canadian accounting standards for not-for-profit organizations.

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 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 these 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 ASNPO, 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 related 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)



Dart Bryant LLP
Chartered Professional Accountants
250, 1319 Edmonton Trail NE
Calgary, Alberta - T2E 4Y8
www.dartbryant.com
P. 403-230-3764
F. 403-230-3766

Independent Auditor's Report to the Members of Humanitarian Aid Response Teams Society (*continued*)

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 22, 2023


Chartered Professional Accountant

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash and cash equivalent	\$ 2,150,253	\$ 1,749,887
Accounts receivable	47,649	1,411
Government subsidies receivable	-	25,051
Goods and services tax recoverable	2,770	3,119
	<u>2,200,672</u>	<u>1,779,468</u>
CAPITAL ASSETS (Note 4)	<u>20,837</u>	<u>24,894</u>
	<u>\$ 2,221,509</u>	<u>\$ 1,804,362</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 47,652	\$ 33,539
CEBA loan payable (Note 5)	40,000	-
	<u>87,652</u>	<u>33,539</u>
CEBA LOAN PAYABLE (Note 5)	<u>-</u>	<u>40,000</u>
DEFERRED CONTRIBUTIONS (Note 6)	<u>192,474</u>	<u>191,528</u>
	<u>280,126</u>	<u>265,067</u>
NET ASSETS		
General fund	500,000	500,000
Invested in capital assets (Note 4)	20,837	24,894
Future development fund (Note 7)	1,420,546	1,014,401
	<u>1,941,383</u>	<u>1,539,295</u>
	<u>\$ 2,221,509</u>	<u>\$ 1,804,362</u>

ON BEHALF OF THE BOARD

 Director

 Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY**Statement of Revenues and Expenditures****Year Ended December 31, 2022**

	2022	2021
REVENUES		
General fund (where best needed)	\$ 916,996	\$ 596,923
Administration donations	403,811	225,290
Child sponsorship programs	431,770	451,397
Education sponsorship programs	7,601	154,868
Missions projects, church and pastor support	261,333	322,681
Medical aid programs	23,388	56,548
Relief aid programs	2,412,075	399,206
Donated goods	15,678	64,772
Investment income (loss)	2,769	1,926
	4,475,421	2,273,611
EXPENSES		
INTERNATIONAL PROGRAMS		
Child sponsorship programs	595,389	504,558
Missions projects, church and pastor support	492,345	651,498
Medical aid programs	45,233	84,318
Relief aid programs	2,431,672	396,968
Education sponsorship programs	152,176	143,886
CANADIAN PROGRAMS		
Administration	226,689	235,885
Fundraising expenses	17,562	55,794
Domestic ministries (Note 10)	112,267	126,698
	4,073,333	2,199,605
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	402,088	74,006
COVID SUBSIDIES	-	36,813
EXCESS OF REVENUES OVER EXPENSES	\$ 402,088	\$ 110,819

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2022

	General Fund	Invested in capital assets Fund	Future development Fund	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 500,000	\$ 24,894	\$ 1,014,401	\$ 1,539,295	\$ 1,428,476
EXCESS OF REVENUES OVER EXPENSES	402,088	-	-	402,088	110,819
Purchase of capital assets	(4,881)	4,881	-	-	-
Amortization of equipment	8,938	(8,938)	-	-	-
Board approved transfer	(406,145)	-	406,145	-	-
NET ASSETS - END OF YEAR	\$ 500,000	\$ 20,837	\$ 1,420,546	\$ 1,941,383	\$ 1,539,295

HUMANITARIAN AID RESPONSE TEAMS SOCIETY**Statement of Cash Flows**
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 402,088	\$ 110,819
Item not affecting cash:		
Amortization of equipment	8,938	8,106
	<u>411,026</u>	<u>118,925</u>
Changes in non-cash working capital:		
Accounts receivable	(46,238)	-
Government subsidies receivable	25,051	47,202
Accounts payable	14,114	(3,544)
Deferred contributions	946	(7,632)
Goods and services tax payable	349	1,080
	<u>(5,778)</u>	<u>37,106</u>
Cash flow from operating activities	<u>405,248</u>	<u>156,031</u>
INVESTING ACTIVITY		
Purchase of equipment	<u>(4,882)</u>	<u>(16,200)</u>
INCREASE IN CASH FLOW	<u>400,366</u>	<u>139,831</u>
Cash - beginning of year	<u>1,749,887</u>	<u>1,610,056</u>
CASH - END OF YEAR	<u>\$ 2,150,253</u>	<u>\$ 1,749,887</u>
CASH CONSISTS OF:		
Cash	\$ 2,113,749	\$ 1,713,383
Guaranteed Investment Certificates	<u>36,504</u>	<u>36,504</u>
	<u>\$ 2,150,253</u>	<u>\$ 1,749,887</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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 independent of 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.

(continues)

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

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 one year 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, 2022

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, 2022.

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 \$2,999,242 (2021: \$1,451,727) in cash grants. At year end, the organization held \$90,294 (2021: \$57,437) cash in US dollars.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

4. EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Vehicles	\$ 32,081	\$ 21,409	\$ 10,672	\$ 10,365
Computer equipment	42,568	38,995	3,573	5,104
Furniture and fixtures	15,347	13,497	1,850	2,312
Leasehold improvements	32,630	27,888	4,742	7,113
	<u>\$ 122,626</u>	<u>\$ 101,789</u>	<u>\$ 20,837</u>	<u>\$ 24,894</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.

	2021	Contributions	Utilized	2022
National Partners Support	\$ 191,528	\$ 213,255	\$ 212,309	\$ 192,474

7. FUTURE DEVELOPMENT FUND

The Future development fund is an internally restricted fund 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.

	2021	Contributions (utilization)	Transfer in (out)	2022
Future development fund	\$ 1,014,401	\$ -	\$ 406,145	\$ 1,420,546

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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 10% 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>2022</u>	<u>2021</u>
International programs - donated goods	\$ 15,678	\$ 40,207
Fundraising - donated auction items	-	24,565
	<u>\$ 15,678</u>	<u>\$ 64,772</u>

10. DOMESTIC MINISTRY

The process of introducing HART's ministry to people in North America requires education (presentation material, website, newsletters, communications), presentations, events and fundraising campaigns. All of these areas require funds (including salaries of HART workers) to clearly outline our narrative and purpose to the public at large in Canada and USA. Domestic ministries serve Foreign ministries, programs & projects, by creating the funds, the volunteers, the participation in HART events, the word of mouth recommendations and new contacts which are all needed for HART to be successful at providing resources in support of the National Church in Eastern Europe.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

11. GOVERNMENT SUBSIDIES

	2022	2021
Canada Emergency Wages Subsidy	\$ -	\$ 29,956
Canada Emergency Rent Subsidy	-	6,857
	<u>\$ -</u>	<u>\$ 36,813</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 (2021 - \$60,000) were made to this organization for rent of space, which has been recorded at the exchange amount.

13. CONTRACTUAL OBLIGATIONS

HART entered into a three year lease for office and warehouse space which expires August 2025. 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 expired in 2022 for \$2,090 per annum plus annual operating cost.

14. MILITARY CONFLICT

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 the 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.
