

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Financial Statements
Year Ended December 31, 2023

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
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Year Ended December 31, 2023

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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, 2023, and the statements of operations, 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, 2023, 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, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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.

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

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

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.

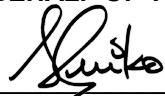
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

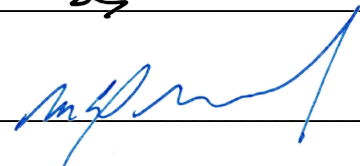
Chartered Professional Accountant

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash and cash equivalent	\$ 1,798,998	\$ 2,150,253
Cash, held in trust	16,532	-
Accounts receivable	36,828	47,649
Goods and services tax recoverable	2,633	2,770
	1,854,991	2,200,672
CAPITAL ASSETS (Note 4)	16,842	20,837
	\$ 1,871,833	\$ 2,221,509
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 53,450	\$ 47,652
Deferred contributions (Note 6)	174,706	192,474
CEBA loan payable (Note 5)	-	40,000
	228,156	280,126
 NET ASSETS		
General fund	500,000	500,000
Invested in capital assets (Note 4)	16,842	20,837
Future development fund (Note 7)	1,126,835	1,420,546
	1,643,677	1,941,383
	\$ 1,871,833	\$ 2,221,509

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Operations
Year Ended December 31, 2023

	2023	2022
REVENUES		
General fund (where best needed)	\$ 833,547	\$ 916,996
INTERNATIONAL PROGRAMS		
Child sponsorship programs	442,603	431,770
Education scholarship programs	113,314	7,601
Missions projects, church and pastor support	299,606	261,333
Medical aid programs	17,468	23,388
Relief aid programs	732,327	2,412,075
Donated goods (Note 9)	19,609	15,678
CANADIAN PROGRAMS		
Canadian programs donations	191,605	403,811
Investment income (loss)	11,510	2,769
	<u>2,661,589</u>	<u>4,475,421</u>
EXPENSES		
INTERNATIONAL PROGRAMS		
Child sponsorship programs	553,903	595,389
Missions projects, church and pastor support	757,774	492,345
Medical aid programs	17,468	45,233
Relief aid programs	1,108,055	2,431,672
Education scholarship programs	113,314	152,176
Program services (Note 10)	139,504	112,267
CANADIAN PROGRAMS		
Administration	266,521	226,689
Fundraising expenses	12,756	17,562
	<u>2,969,295</u>	<u>4,073,333</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	(307,706)	402,088
COVID SUBSIDIES (Note 5)	<u>10,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (297,706)	\$ 402,088

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2023

	General Fund	Invested in capital assets Fund	International Programs Fund (Note 7)	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 500,000	\$ 20,837	\$ 1,420,546	\$ 1,941,383	\$ 1,539,295
DEFICIENCY OF REVENUES OVER EXPENSES	(297,706)	-	-	(297,706)	402,088
Purchase of capital assets	(4,459)	4,459	-	-	-
Amortization of equipment	8,454	(8,454)	-	-	-
Board approved transfer	293,711	-	(293,711)	-	-
NET ASSETS - END OF YEAR	\$ 500,000	\$ 16,842	\$ 1,126,835	\$ 1,643,677	\$ 1,941,383

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (297,706)	\$ 402,088
Items not affecting cash:		
Amortization of equipment	8,454	8,938
Forgiveable portion of CEBA loan	<u>(10,000)</u>	<u>-</u>
	<u>(299,252)</u>	<u>411,026</u>
Changes in non-cash working capital:		
Accounts receivable	10,821	(46,238)
Government subsidies receivable	-	25,051
Accounts payable	5,799	14,114
Deferred contributions	(17,768)	946
Goods and services tax payable	137	349
	<u>-</u>	<u>-</u>
	<u>(1,011)</u>	<u>(5,778)</u>
Cash flow from (used by) operating activities	<u>(300,263)</u>	<u>405,248</u>
INVESTING ACTIVITIES		
Purchase of equipment	(4,459)	(4,882)
Cash, held in trust	<u>(16,533)</u>	<u>6,334</u>
Cash flow from (used by) investing activities	<u>(20,992)</u>	<u>1,452</u>
FINANCING ACTIVITY		
Repayment of CEBA loan	<u>(30,000)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH FLOW	(351,255)	406,700
Cash and cash equivalents - beginning of year	<u>2,150,253</u>	<u>1,743,553</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,798,998	\$ 2,150,253
CASH CONSISTS OF:		
Cash	\$ 1,161,416	\$ 2,113,749
Redeemable Guaranteed Investment Certificates	<u>637,582</u>	<u>36,504</u>
	<u>\$ 1,798,998</u>	<u>\$ 2,150,253</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2023

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 not 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. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial instruments subsequently measured at amortized cost includes cash and cash equivalents, cash held in trust, short-term investments, accounts receivable, accounts payable and accrued liabilities, and CEBA loan payable.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2023

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, 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 90 days or less from the date of acquisition.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2023

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 and support expenses, which include fundraising. 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, 2023.

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 \$2,115,985 (2022: \$2,999,242) in cash grants. At year end, the organization held \$17,998 (2022: \$47,743) cash in US dollars.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2023

4. EQUIPMENT

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Vehicles	\$ 32,081	\$ 24,611	\$ 7,470	\$ 10,672
Computer equipment	47,027	42,296	4,731	3,573
Furniture and fixtures	15,347	13,867	1,480	1,850
Leasehold improvements	32,630	29,469	3,161	4,742
	<u>\$ 127,085</u>	<u>\$ 110,243</u>	<u>\$ 16,842</u>	<u>\$ 20,837</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 January 18, 2024, 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 was forgivable if the organization repaid the loan prior to January 18, 2024. The forgiveness of \$10,000 has been recognized as revenue in the current year as the loan has been repaid and all of the criteria for earning the forgiveness were achieved.

6. DEFERRED CONTRIBUTIONS

HART accepts contributions from various donors who restrict the donation to specific HART church partners, programs, and projects in Ukraine and Eastern Europe. A significant portion of HART's restricted contributions are received during the last quarter of the year. As a result, by year end, the unspent portion of these restricted contributions, is reported as deferred contributions on the statement of financial position. HART is committed to spending these contributions within the next fiscal year, ensuring the donors' intentions are met.

	2022	Contributions	Utilized	2023
National Partners Programs	\$ 192,474	\$ 161,804	\$ 179,572	\$ 174,706

7. INTERNATIONAL PROGRAMS FUND

The International Programs Fund represents an internally designated reserve established by HART to ensure the continuity and financial support of its core projects and programs deemed essential to its mission. These core projects/programs include but are not limited to, the Child Sponsor Program, Education programs, church construction projects, summer camp programs, medical care projects, relief (refugee) aid programs, and the Ukraine Crisis projects.

	2022	Contributions (utilization)	Transfer in (out)	2023
International Programs funds	\$ 1,420,546	\$ -	\$ (293,711)	\$ 1,126,835

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2023

8. ADMINISTRATION DONATIONS

Much of HART's operational costs are covered by generous private donors who believe in its 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 use in the Child Sponsorship, National Partners Support, and Relief Aid programs and are included in Humanitarian relief aid, medical and missions expense.

	<u>2023</u>	<u>2022</u>
International programs - donated goods	<u>\$ 19,609</u>	<u>\$ 15,678</u>

10. PROGRAM SUPPORT SERVICES

Program Support Services are costs directly related to creating a sustainable framework for ongoing support and collaboration for HART's relief aid and missions work in Eastern Europe. It acts as a bridge between HART's international operations and mobilizing resources and support from within Canada. Outlining our narrative to Canadians requires the development of educational materials for presentations, social media, websites, newsletters in print and online, and hosting events. Program Support Services serve foreign ministries 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 accomplish its mission to support and grow the National Church in Eastern Europe.

11. 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 (2022 - \$60,000) were made to this organization for rent of space, which has been recorded at the exchange amount.

12. 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.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2023

13. MILITARY CONFLICT

In February 2022, a full-scale invasion of Ukraine began, prompting worldwide support for Ukrainians and organizations that support them. The majority of HART's programs and projects operate in Ukraine.

The ongoing armed military conflict has posed new challenges for HART's ministry. However, due to the nature of HART's strategic partnerships throughout the country and the reliability of the Ukrainian banking system, we have not experienced any disruptions in our relief and refugee aid programs and projects since the war began.

Management, along with the HART Board of Directors, has been closely monitoring the situation in Ukraine (as it has for the past 25+ years) and is implementing appropriate measures to mitigate potential risks and adapt to the changing political and economic conditions there.

14. SHORT TERM INVESTMENTS

The organization invests in short-term investments that consists of Guaranteed Investment Certificates (GICs) with interest ranging from 1.75% - 5.2% which are due within the next 12 months.
