

HUMANITARIAN AID RESPONSE TEAMS SOCIETY

Financial Statements

Year Ended December 31, 2024

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
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Year Ended December 31, 2024

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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, 2024, 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, 2024, 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, 2024 and 2023, current assets as at December 31, 2024 and 2023, and net assets as at January 1 and December 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended December 31, 2023 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.

June 26, 2025


Chartered Professional Accountant

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Financial Position
December 31, 2024

	2024	2023
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 766,111	\$ 1,188,205
Short-term investments (Note 4)	657,932	627,325
Accounts receivable	-	36,828
Goods and services tax recoverable	2,957	2,633
	<u>1,427,000</u>	<u>1,854,991</u>
CAPITAL ASSETS (Note 5)	11,832	16,842
	<u>\$ 1,438,832</u>	<u>\$ 1,871,833</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 58,207	\$ 53,450
Deferred contributions (Note 6)	158,010	174,706
	<u>216,217</u>	<u>228,156</u>
NET ASSETS		
General program fund	1,210,783	1,626,835
Invested in capital assets (Note 5)	11,832	16,842
	<u>1,222,615</u>	<u>1,643,677</u>
	<u>\$ 1,438,832</u>	<u>\$ 1,871,833</u>

ON BEHALF OF THE BOARD

Director

Director

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Operations
Year Ended December 31, 2024

	2024	2023
REVENUES		
General fund donations (where best needed)	\$ 1,327,840	\$ 833,547
International program donations (Schedule 1)	1,530,718	1,780,404
Supporting activities donations (Note 7)	59,195	16,519
Donated goods (Schedule 1) (Note 8)	22,450	19,609
Investment income	29,607	11,510
	<u>2,969,810</u>	<u>2,661,589</u>
EXPENSES		
International programs (Schedule 1)	3,049,971	2,690,018
SUPPORTING ACTIVITIES		
Administration (Note 7)	326,521	266,521
Fundraising (Note 7)	14,380	12,756
	<u>3,390,872</u>	<u>2,969,295</u>
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(421,062)	(307,706)
COVID SUBSIDY	<u>-</u>	<u>10,000</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (421,062)	\$ (297,706)

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2024

	General Program Fund	Invested in capital assets Fund	2024	2023
NET ASSETS - BEGINNING OF YEAR	\$ 1,626,835	\$ 16,842	\$ 1,643,677	\$ 1,941,383
DEFICIENCY OF REVENUES OVER EXPENSES	(421,062)	-	(421,062)	(297,706)
Amortization of equipment	5,010	(5,010)	-	-
NET ASSETS - END OF YEAR	\$ 1,210,783	\$ 11,832	\$ 1,222,615	\$ 1,643,677

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Statement of Cash Flows
Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (421,062)	\$ (297,706)
Items not affecting cash:		
Amortization of equipment	5,010	8,454
Forgiveable portion of CEBA loan	-	(10,000)
	<u>(416,052)</u>	<u>(299,252)</u>
Changes in non-cash working capital:		
Accounts receivable	36,828	10,821
Accounts payable	4,757	5,798
Deferred contributions	(16,696)	(17,768)
Goods and services tax payable	(324)	137
	<u>24,565</u>	<u>(1,012)</u>
Cash flow used by operating activities	<u>(391,487)</u>	<u>(300,264)</u>
INVESTING ACTIVITIES		
Purchase of equipment	-	(4,459)
Long-term investments	(1)	-
Short-term investments	(30,606)	(601,078)
	<u>(30,607)</u>	<u>(605,537)</u>
Cash flow used by investing activities	<u>(30,607)</u>	<u>(605,537)</u>
FINANCING ACTIVITY		
Repayment of CEBA loan	-	(30,000)
	<u>-</u>	<u>(30,000)</u>
DECREASE IN CASH FLOW	(422,094)	(935,801)
Cash and cash equivalents - beginning of year	<u>1,188,205</u>	<u>2,124,006</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 766,111	\$ 1,188,205
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 755,718	\$ 1,177,950
Redeemable Guaranteed Investment Certificates	<u>10,393</u>	<u>10,255</u>
	<u>\$ 766,111</u>	<u>\$ 1,188,205</u>

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2024

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. 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 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 unwavering belief that the local church is the most efficient, cost-effective, and sustainable vehicle for driving positive change in communities is at the heart of HART's approach.

By working directly with in-country partners, HART leverages their deep-rooted volunteer networks, trust within the community, and firsthand knowledge of local challenges and opportunities.

This ensures that every dollar donated is used strategically to generate maximum impact, as resources are directly allocated where they are needed most, without the additional overheads and logistical complexities often associated with Western-led charitable organizations.

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, long-term investments, and accounts payable and accrued liabilities.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2024

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 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. Occasionally HART receives more contributions for a Program than can be prudently utilized and in that case the funds may be used to meet a similar pressing need as approved by the Board. Once the Board approves such a utilization of funds in accordance with its financial accountability policy, the funds will be moved to the appropriate project.
- 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 is comprised of unrestricted cash held in financial institutions and cash equivalents are comprised of short-term investments with original maturity of 90 days or less from the date of acquisition or investments which are readily convertible to cash and subject to insignificant change in value.

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HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2024

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 direct support activity expenses.

Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a 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, 2024.

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 \$2,515,312 (2023: \$2,115,985) in cash grants. At year end, the organization held \$73,597 (2023: \$28,304) cash in US dollars.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2024

4. INVESTMENTS

The organization invests in short-term investments that consists of Guaranteed Investment Certificates (GICs) and treasury bills with interest ranging from 2.25% - 4.00% (2023: 1.75% - 5.20%) which are due within the next 12-18 months.

5. EQUIPMENT

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Vehicles	\$ 32,081	\$ 26,852	\$ 5,229	\$ 7,470
Computer equipment	47,027	43,715	3,312	4,731
Furniture and fixtures	15,347	14,163	1,184	1,480
Leasehold improvements	32,630	30,523	2,107	3,161
	\$ 127,085	\$ 115,253	\$ 11,832	\$ 16,842

6. DEFERRED CONTRIBUTIONS

HART accepts contributions from various donors who restrict the donation to HART church partners, supporting activities, programs, and projects. At 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.

	2023	Contributions	Utilized	2024
National Partners Programs	\$ 174,706	\$ 142,952	\$ 177,992	\$ 139,666
Medical Aid Programs	-	13,443	-	13,443
Education Scholarship Programs	-	4,901	-	4,901
	\$ 174,706	\$ 161,296	\$ 177,992	\$ 158,010

7. SUPPORTING ACTIVITIES 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 administration and fundraising expenses. Their support covers operational overheads such as administrative salaries, office rent, office expenses and supplies, and website maintenance. These donors are a blessing to the operations and their investments stabilize the operations to allow HART to pursue their mission goals.

HUMANITARIAN AID RESPONSE TEAMS SOCIETY
Notes to Financial Statements
Year Ended December 31, 2024

8. DONATED GOODS

These financial statements include revenue and expenses for donated goods in kind for use in various programs (see Schedule 1) and are included in International Program expenses.

	<u>2024</u>	<u>2023</u>
International programs - donated goods	\$ 22,450	\$ 19,609

9. RELATED PARTY TRANSACTIONS

Related parties consist of directors, officers, and a charitable foundation controlled by a director of HART. HART received donations of \$263,500 (2023 - \$200,000) from related parties during the year. HART has a three year lease for office and warehouse space with a related party. During the year, payments of \$60,000 (2023 - \$60,000) were made for rent of space. These transactions are recorded at the exchange amount as agreed to by the related parties.

10. 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.

11. 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 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, HART has not experienced any disruptions in their 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.

International Programs
Year Ended December 31, 2024

(Schedule 1)

	Child Sponsorship Programs	Medical Aid Programs	Relief Aid Programs	Education Scholarship Programs	Missions Projects, Church and Pastor Support	2024	2023
International program donations	\$ 507,787	\$ 23,506	\$ 579,364	\$ 118,730	\$ 301,331	\$ 1,530,718	\$ 1,780,404
Donated goods	-	20,000	2,450	-	-	22,450	19,609
INTERNATIONAL PROGRAMS REVENUES	507,787	43,506	581,814	118,730	301,331	1,553,168	1,800,013
Program expenses	571,496	42,341	1,457,535	113,136	723,446	2,907,954	2,550,513
Direct program support services	26,490	1,165	72,997	5,594	35,771	142,017	139,505
INTERNATIONAL PROGRAMS EXPENSES	597,986	43,506	1,530,532	118,730	759,217	3,049,971	2,690,018
INTERNATIONAL PROGRAMS EXCESS (DEFICIENCY)	\$ (90,199)	\$ -	\$ (948,718)	\$ -	\$ (457,886)	\$ (1,496,803)	\$ (890,005)

Program deficiencies are recovered, to the extent possible, by general donations. If HART receives more contributions for a Program than can be prudently utilized and in that case the funds may be used to meet a similar pressing need as approved by the Board.