

Financial Statements and Report of
Independent Certified Public Accountants

The HALO Trust (USA), Inc.

March 31, 2019 *(with summarized comparative
information for March 31, 2018)*

	Page
Contents	
Report of Independent Certified Public Accountants	3
Statement of Financial Position	5
Statement of Activities <i>(with summarized comparative information for March 31, 2018)</i>	6
Statement of Cash Flows	7
Statement of Functional Expenses <i>(with summarized comparative information for March 31, 2018)</i>	8
Notes to Financial Statements	9

GRANT THORNTON LLP

1000 Wilson Boulevard, Suite 1400
Arlington, VA 22209

D +1 703 847 7500

F +1 703 848 9580

S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)

twitter.com/grantthorntonus

Report of Independent Certified Public Accountants

Board of Trustees
The HALO Trust (USA), Inc.

Report On the Financial Statements

We have audited the accompanying financial statements of The HALO Trust (USA), Inc. (HALO), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to HALO's preparation and fair presentation of the financial statements 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 HALO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The HALO Trust (USA), Inc. as of March 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Report on 2018 Summarized Comparative Information*

We have previously audited HALO's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 8, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended March 31, 2018 is consistent, in all material respects, with the financial statements from which it has been derived.



Arlington, Virginia
August 26, 2019

The HALO Trust (USA), Inc.

STATEMENT OF FINANCIAL POSITION

March 31,

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 3,953,332	\$ 8,583,750
Contribution receivables	5,180,296	5,695,296
Grants receivables	86,355	1,416,076
Due from The HALO Trust (UK)	26,392	-
Other receivables	104	42,465
Deposits and prepaid expenses	6,560	13,138
Property and equipment, net	7,669	8,256
Other assets	-	14,463
	<u> </u>	<u> </u>
Total assets	<u>\$ 9,260,708</u>	<u>\$ 15,773,444</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 144,145	\$ 998,060
Due to The HALO Trust (UK)	-	949,888
	<u> </u>	<u> </u>
Total liabilities	144,145	1,947,948
 NET ASSETS		
Net assets without donor restrictions	8,610,361	13,529,406
Net assets with donor restrictions	506,202	296,090
	<u> </u>	<u> </u>
Total net assets	9,116,563	13,825,496
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 9,260,708</u>	<u>\$ 15,773,444</u>

The accompanying notes are an integral part of these financial statements.

The HALO Trust (USA), Inc.

STATEMENT OF ACTIVITIES

Year ended March 31, 2019

(with summarized comparative information for March 31, 2018)

	2019			2018
	Without donor restrictions	With donor restrictions	Total	Total
Revenues and support:				
Government grants:				
Directly implemented	\$ -	\$ 1,735,190	\$ 1,735,190	\$ 2,398,200
Subgranted to The HALO Trust (UK)	-	26,318,291	26,318,291	13,832,441
Total government grants	-	28,053,481	28,053,481	16,230,641
Contributions	932,431	10,291	942,722	12,379,667
Federated campaigns	16,648	-	16,648	10,840
Grants and other	464,254	2,355,407	2,819,661	2,056,147
Investment income, net	55,873	-	55,873	8,358
	1,469,206	30,419,179	31,888,385	30,685,653
Net assets released from restriction for satisfaction of program activities	30,209,067	(30,209,067)	-	-
Total revenues and support	31,678,273	210,112	31,888,385	30,685,653
Expenses:				
Program activities - overseas relief:				
Directly implemented	1,575,223	-	1,575,223	2,939,889
Subgranted to The HALO Trust (UK)	33,633,419	-	33,633,419	16,592,681
Total program activities - overseas relief	35,208,642	-	35,208,642	19,532,570
Management and general	1,112,820	-	1,112,820	1,112,401
Fundraising	273,452	-	273,452	311,423
Total expenses	36,594,914	-	36,594,914	20,956,394
Change in net assets, before foreign exchange rate adjustment	(4,916,641)	210,112	(4,706,529)	9,729,259
Foreign exchange rate adjustment	(2,404)	-	(2,404)	17,886
CHANGE IN NET ASSETS	(4,919,045)	210,112	(4,708,933)	9,747,145
Net assets at beginning of year	13,529,406	296,090	13,825,496	4,078,351
Net assets at end of year	\$ 8,610,361	\$ 506,202	\$ 9,116,563	\$ 13,825,496

The accompanying notes are an integral part of these financial statements.

The HALO Trust (USA), Inc.

STATEMENT OF CASH FLOWS

Years ended March 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,708,933)	\$ 9,747,145
Adjustments necessary to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Foreign exchange rate adjustment	2,404	(17,886)
Depreciation	4,861	3,726
Changes in operating assets and liabilities:		
Contribution receivables	515,000	(5,695,296)
Grants receivables	1,329,721	(37,131)
Due from The HALO Trust (UK)	(26,392)	61,101
Other receivables	42,361	63,648
Deposits and prepaid expenses	6,578	(3,365)
Other assets	14,463	52,097
Accounts payable	(853,915)	132,454
Due to The HALO Trust (UK)	(949,888)	949,888
Net cash (used in) provided by operating activities	<u>(4,623,740)</u>	<u>5,256,381</u>
Cash flows used in investing activities:		
Purchase of property and equipment	<u>(4,274)</u>	<u>(8,475)</u>
Net cash used in investing activities	(4,274)	(8,475)
Effect of foreign exchange rate changes on cash	<u>(2,404)</u>	<u>17,886</u>
NET (DECREASE) INCREASE IN CASH	(4,630,418)	5,265,792
Cash at beginning of year	<u>8,583,750</u>	<u>3,317,958</u>
Cash at end of year	<u>\$ 3,953,332</u>	<u>\$ 8,583,750</u>

The accompanying notes are an integral part of these financial statements.

The HALO Trust (USA), Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended March 31, 2019

(with summarized comparative information for March 31, 2018)

	2019			2018	
	Program activities - overseas relief	Management and general	Fundraising	Totals	Totals
Salaries and benefits	\$ 1,165,263	\$ 546,771	\$ 217,808	\$ 1,929,842	\$ 2,398,859
Operating costs	252,398	-	-	252,398	776,652
Office costs	23,608	67,786	16,668	108,062	203,742
Equipment	60,451	-	-	60,451	167,725
Accommodation	25,854	57,807	24,774	108,435	120,194
Insurance	34,205	13,298	-	47,503	26,107
Professional fees	-	349,260	5,000	354,260	543,865
Travel	13,444	73,037	9,202	95,683	122,843
Depreciation	-	4,861	-	4,861	3,726
Subgrants to:					
The HALO Trust (UK)	33,633,419	-	-	33,633,419	16,592,681
Total expenses	\$ 35,208,642	\$ 1,112,820	\$ 273,452	\$ 36,594,914	\$ 20,956,394

The accompanying notes are an integral part of these financial statements.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(with summarized comparative information for March 31, 2018)

NOTE 1 - DESCRIPTION OF ORGANIZATION

The HALO Trust (USA), Inc. (HALO) is a not-for-profit corporation organized for the purpose of removal of the debris of war in various areas of the world. HALO is supported primarily from grants by the United States Department of State and other agencies. HALO also receives support from foundations, individuals and other organized charities.

HALO is allied with The HALO Trust (UK) (a UK registered not-for-profit entity) due to common management between the organizations. HALO and The HALO Trust (UK) have separate Boards of Trustees with no common majority voting interest. The HALO Trust (UK) provides management support, personnel and general support (Note 10).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the previous reporting model for not-for-profit organizations and requires certain additional disclosures. HALO adopted ASU 2016-14 during the year ended March 31, 2019 and the significant changes include:

- Requiring the presentation of two net asset classes - “net assets without donor restrictions” and “net assets with donor restrictions”;
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature either in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

Cash

Cash includes deposit accounts domiciled in the United States of America (U.S.) and foreign countries.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Asset Classification

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed conditions. Accordingly, net assets are classified and reported as follows:

- *Net assets without donor restrictions*

Represents net assets such as investments and otherwise unrestricted amounts that are available for use in carrying out the mission of HALO and are not subject to any donor-imposed stipulations.

- *Net assets with donor restrictions*

Represents net assets which are donor restricted for a specific purpose, or stipulated time restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

HALO follows the practice of capitalizing all expenditures for furniture, fixtures and equipment having a cost in excess of \$1,500. Donated property and equipment are similarly capitalized, but at fair market value at the time of donation. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the related assets. Furniture, fixtures and equipment are depreciated between three and five years.

Any property and equipment for use in overseas projects is expensed in the year acquired. HALO maintains records of the property and equipment. Upon completion of the project, some of these assets are transferred to other projects, donated to local charities, or may be reclaimed by the donor.

Tax Status

HALO follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

HALO is exempt from federal income tax under Internal Revenue Code (the Code) Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. HALO has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended March 31, 2019, 2018, 2017 and 2016 are still open to audit for both federal and state purposes. HALO has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions and Receivables

Unconditional contributions, including cash, promises to give, and certain contributed services, gifts-in-kind and other assets are reported as revenue, at their estimated fair value, in the year in which they are received. Conditional contributions are recorded when the conditions on which they depend have been substantially met. In the absence of donor restrictions, all contributions are considered to be available for use without restriction. Unconditional contributions are recorded at their net realizable value. Contributions receivable due in less than one year totaled \$5,030,296 and \$5,695,296 as of March 31, 2019 and 2018, respectively. The amounts due in one to three years totaled \$150,000 and \$0 as of March 31, 2019 and 2018, respectively.

Donated Services

Donations of services are recognized by HALO if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. HALO records as donated services the value of legal services received from a certain legal firm for the specialized skills provided during the year, and separately recognizes a donation of computer licenses. Total donated services for the years ended March 31, 2019 and 2018 were \$212,003 and \$340,380 respectively, and were included in contributions on the statement of activities.

Governmental and Operating Grants

Government grants are considered to be contributions under the accounting principles generally accepted in the U.S. (U.S. GAAP) conditioned on HALO incurring qualifying reimbursable expenditures.

Grants Receivables

Grants receivables represent the amounts owed by the federal government for the expenditures incurred by HALO in accordance with the grant agreements. The specific method is used to determine whether an allowance for doubtful accounts should be established. For the years ended March 31, 2019 and 2018, it was determined that no allowance for doubtful accounts was necessary.

Allocation of Functional Expenses

The cost of programs and supporting activities is summarized by their functional classification in the statement of activities and by their natural classification in the statement of functional expenses. Accordingly, certain costs such as employee compensation expenses, rent, and office supplies have been allocated among program activities and supporting services, as shown in the statement of functional expenses. Employee compensation costs are allocated based on estimates of time and effort, rent is allocated based on square footage, and office supplies are allocated based on estimated usage of specific items.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The HALO Trust (USA), Inc.
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with HALO's financial statements for the year ended March 31, 2018, from which the summarized information is derived.

Risk of Operating Outside the United States

HALO is subject to the risks of doing business outside the United States, including, among other risks, foreign currency exchange rate risks, tax laws and political or labor disturbances.

NOTE 3 - PROPERTY AND EQUIPMENT

At March 31, property and equipment are as follows:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 42,366	\$ 38,092
Accumulated depreciation	<u>(34,697)</u>	<u>(29,836)</u>
Net property and equipment	<u>\$ 7,669</u>	<u>\$ 8,256</u>

NOTE 4 - NET ASSETS WITHOUT DONOR RESTRICTIONS

At March 31, net assets without donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
General operating net assets	\$ 8,602,692	\$ 13,521,150
Property and equipment	<u>7,669</u>	<u>8,256</u>
	<u>\$ 8,610,361</u>	<u>\$ 13,529,406</u>

At March 31, 2019, of the \$8,602,692 general operating net assets, \$579,869 is committed by grant agreements to The HALO Trust (UK) for the support and development of its activities.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

At March 31, 2019, \$30,209,067 was released from donor restrictions for the completion of program activities.

Direct program activities	\$ 30,153,319
Released from contributions with donor restrictions to support fundraising expenses	<u>55,748</u>
Net assets released from restriction for satisfaction of program activities	<u>\$ 30,209,067</u>

Net assets with donor restrictions are available for programs in the following locations at March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Global	\$ 38,018	\$ 157,643
West Bank	205,646	80,761
Cambodia	7,059	18,599
Laos	9,196	13,206
Kosovo	122,175	9,074
Colombia	-	5,743
Angola	-	3,240
Sri Lanka	167	2,753
Somaliland	2,190	2,069
Afghanistan	1,231	1,110
Zimbabwe	421	421
Georgia	273	151
Nagorno Karabakh	119,498	-
Various	<u>328</u>	<u>1,320</u>
	<u>\$ 506,202</u>	<u>\$ 296,090</u>

NOTE 6 - LIQUIDITY AND AVAILABILITY

As of March 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, follow:

Financial assets:

Cash	\$ 3,953,332
Grants and other receivables	112,747
Contributions receivable within a year	<u>5,030,296</u>
Total financial assets available within one year	9,096,375
Less:	
Net assets with donor restrictions	<u>(506,202)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,590,173</u>

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

NOTE 7 - FOREIGN CURRENCY TRANSLATION

Assets and liabilities of HALO's operations are translated at a month-beginning exchange rate; revenue and expenses are translated at the monthly exchange rate during the year. Translation adjustments for such assets and liabilities are accumulated separately in net assets without donor restrictions. Translation adjustments for the years ended March 31, 2019 and 2018 were a loss of \$2,404 and a gain of \$17,886, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

HALO occupies office facilities in Washington, D.C., under a lease agreement which expires in March 2023. HALO is also responsible for its pro rata share of operating expenses and incremental adjustments including real estate taxes. Total rent expense for the years ended March 31, 2019 and 2018 was \$82,581 and \$52,602, respectively. The following is a schedule by year of future minimum lease payments under the lease agreements as of March 31, 2019:

Year ending March 31,	
2020	\$ 85,780
2021	85,780
2022	85,780
2023	<u>21,445</u>
Total minimum lease payments	<u>\$ 278,785</u>

Grant Commitments

As of March 31, 2019, HALO has \$28,696,894 in grant commitments for future program expenditures from U.S. government and other related grants.

Contingencies

Costs charged to the federal government under cost-reimbursement grants and contracts are subject to government audit. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the financial statements.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

NOTE 9 - CONCENTRATIONS OF CREDIT RISK AND REVENUE

Financial instruments, which potentially subject HALO to concentrations of credit risk, consist principally of cash and accounts receivable. HALO maintains its cash balances at various financial institutions in amounts which at times exceed the federally insured amounts. Cash held at individual U.S. institutions exceeded the federally insured limits by \$3,514,115 at March 31, 2019. HALO also maintains bank and cash balances in various foreign site locations in institutions that may not carry insured limits. HALO has cash in foreign accounts totaling \$141,064 as of March 31, 2019. HALO has not had any losses related to any deposits. HALO believes that its exposure to these credit risks is limited.

For the years ended March 31, 2019 and 2018, HALO received approximately 88% and 53%, respectively, of its revenue from the U.S. Department of State and other federal agencies. Grants receivable due at March 31, 2019 and 2018 were \$86,355 and \$1,416,076, respectively, and are expected to be collectible. HALO's continued support from these agencies is expected.

NOTE 10 - RELATED PARTY TRANSACTIONS

Expenses charged to HALO by The HALO Trust (UK) for management support, personnel, and general support for the years ended March 31, 2019 and 2018, totaled \$1,037,392 and \$2,054,572, respectively. For the years ended March 31, 2019 and 2018, The HALO Trust (UK) provided HALO with \$464,523 and \$0, respectively, for costs directly associated with maintaining an operating presence in the USA.

HALO entered into various subgranting agreements with The HALO Trust (UK) for the latter to perform the services described in the Statement of Objectives included in the U.S. Department of State Federal Assistance Award. For the years ended March 31, 2019 and 2018, HALO subgranted \$33,633,419 and \$16,592,681, respectively, to The HALO Trust (UK). Of the amounts subgranted to The HALO Trust (UK), \$26,318,291 and \$13,832,441 was federally funded and \$7,315,128 and \$2,760,240 was privately funded.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions occurring through August 26, 2019, the date the financial statements were issued, and there were no material subsequent events or transactions requiring disclosure or recognition.