



Financial Statements and Report of
Independent Certified Public Accountants

The HALO Trust (USA), Inc.

March 31, 2017 *(with summarized comparative
information for March 31, 2016)*

The HALO Trust (USA), Inc.

Contents

	Page(s)
Report of Independent Certified Public Accountants	3–4
Financial Statements	
Statements of Financial Position	5
Statements of Activities <i>(with summarized comparative information for March 31, 2016)</i>	6
Statements of Cash Flows	7
Statements of Functional Expenses <i>(with summarized comparative information for March 31, 2016)</i>	8
Notes to Financial Statements	9–15

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
1 South Street, Suite 2400
Baltimore, MD 21202-7304
T 410.685.4000
F 410.837.0587
www.GrantThornton.com

Board of Directors
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 statements of financial position as of March 31, 2017 and the related statement of activities, cash flows and functional expenses for the years 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, 2017 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 26, 2017 on our consideration of HALO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HALO's internal control over financial reporting and compliance.



Baltimore, Maryland
September 26, 2017

The HALO Trust (USA), Inc.

Statements of Financial Position

<i>March 31,</i>	2017	2016
Assets		
Assets		
Cash	\$ 3,317,958	\$ 2,090,602
Accounts receivable:		
Grants	1,378,945	2,241,033
Due from The HALO Trust (UK)	61,101	—
Other	106,113	199,740
Deposits and prepaid expenses	9,773	34,101
Property and equipment	3,507	2,795
Other assets	66,560	—
Total Assets	\$ 4,943,957	\$ 4,568,271
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 865,606	\$ 837,220
Due to The HALO Trust (UK)	—	266,536
Total liabilities	865,606	1,103,756
Commitments and Contingencies	—	—
Net Assets		
Unrestricted	2,456,493	2,379,511
Temporarily restricted	1,621,858	1,085,004
Total net assets	4,078,351	3,464,515
Total Liabilities and Net Assets	\$ 4,943,957	\$ 4,568,271

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

The HALO Trust (USA), Inc.

Statements of Activities

<i>Year ended March 31, 2017</i> <i>(with summarized comparative information for March 31, 2016)</i>	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Revenues and support:				
Contributions	\$ 306,015	\$ 302,256	\$ 608,271	\$ 295,147
Federated campaigns	7,356	—	7,356	18,350
Government grants	—	30,333,506	30,333,506	18,237,714
Grants and other	22,532	3,986,948	4,009,480	2,141,404
Investment income	1,239	—	1,239	1,183
	<u>337,142</u>	<u>34,622,710</u>	<u>34,959,852</u>	<u>20,693,798</u>
Net assets released from restriction for satisfaction of program activities	<u>34,085,856</u>	<u>(34,085,856)</u>	<u>—</u>	<u>—</u>
Total revenues and support	<u>34,422,998</u>	<u>536,854</u>	<u>34,959,852</u>	<u>20,693,798</u>
Expenses:				
Program activities - overseas relief	32,766,062	—	32,766,062	18,542,948
Management and general	1,461,590	—	1,461,590	1,282,387
Fundraising	86,691	—	86,691	20,205
Total expenses	<u>34,314,343</u>	<u>—</u>	<u>34,314,343</u>	<u>19,845,540</u>
Change in net assets, before foreign currency translation adjustments	108,655	536,854	645,509	848,258
Foreign currency translation adjustments	<u>(31,673)</u>	<u>—</u>	<u>(31,673)</u>	<u>23,037</u>
Changes in net assets	<u>76,982</u>	<u>536,854</u>	<u>613,836</u>	<u>871,295</u>
Net assets at beginning of year	<u>2,379,511</u>	<u>1,085,004</u>	<u>3,464,515</u>	<u>2,593,220</u>
Net assets at end of year	<u>\$ 2,456,493</u>	<u>\$ 1,621,858</u>	<u>\$ 4,078,351</u>	<u>\$ 3,464,515</u>

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

The HALO Trust (USA), Inc.

Statements of Cash Flows

<i>Years ended March 31,</i>	2017	2016
Cash Flows from Operating Activities:		
Changes in net assets	\$ 613,836	\$ 871,295
Adjustments necessary to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Foreign currency translation adjustments	31,673	(23,037)
Depreciation	2,715	1,572
Changes in operating assets and liabilities:		
Accounts receivable - grants	862,088	(332,493)
Accounts receivable - other	93,627	(96,454)
Deposits and prepaid expenses	24,328	19,231
Accounts payable	28,386	(419,678)
Due to The HALO Trust (UK)	(266,536)	(60,324)
Due from The HALO Trust (UK)	(61,101)	—
Other assets	(66,560)	—
Refundable advance	—	(3,551)
Net Cash Provided by (Used in) Operating Activities	1,262,456	(43,439)
Cash Flow from Investing Activity:		
Purchase of property and equipment	(3,427)	(2,038)
Net Cash Used in Investing Activity	(3,427)	(2,038)
Effect of foreign exchange rate changes on cash	(31,673)	23,037
Net Increase (Decrease) in Cash	1,227,356	(22,440)
Cash at Beginning of Year	2,090,602	2,113,042
Cash at End of Year	\$ 3,317,958	\$ 2,090,602

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

The HALO Trust (USA), Inc.

Statements of Functional Expenses

<i>Year ended March 31, 2017 (with summarized comparative information for March 31, 2016)</i>	Program Activities -			Totals	
	Overseas Relief	Management and General	Fundraising	2017	2016
Salaries and benefits	\$ 9,315,032	\$ 396,808	\$ 76,986	\$ 9,788,826	\$ 11,645,931
Operating costs	4,082,655	48,411	958	4,132,024	5,088,161
Equipment	544,487	—	418	544,905	632,299
Accommodation	492,949	47,681	45	540,675	723,141
Insurance	208,140	22,804	—	230,944	473,797
Professional fees	10,163	262,946	6,477	279,586	176,426
Travel	306,014	80,225	1,807	388,046	504,213
Depreciation	—	2,715	—	2,715	1,572
Subgrants to The HALO Trust (UK)	17,806,622	—	—	17,806,622	—
Support costs paid to The HALO Trust (UK)	—	600,000	—	600,000	600,000
Total Expenses	\$ 32,766,062	\$ 1,461,590	\$ 86,691	\$ 34,314,343	\$ 19,845,540

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

The HALO Trust (USA), Inc.

Notes to Financial Statements

March 31, 2017 (with summarized comparative information for March 31, 2016)

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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes deposit accounts domiciled in the United States of America (U.S.) and foreign countries. Cash equivalents include highly liquid debt instruments, such as commercial paper, purchased with original maturities of three months or less. There were no cash equivalents at March 31, 2017 and 2016. Cash held at individual U.S. institutions exceeded the federally insured limits by \$1,449,033 and \$20,194 at March 31, 2017 and 2016, respectively. HALO believes that its exposure to this credit is limited. HALO has cash in foreign accounts totaling \$1,550,348 and \$1,683,151 as of March 31, 2017 and 2016, respectively.

Net Asset Classification

All financial transactions have been recorded and reported as either unrestricted or temporarily restricted net assets:

- Unrestricted net assets consist of 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.
- Temporarily restricted net assets represent those amounts which are donor restricted for a specific purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as released from restrictions.

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

March 31, 2017 (with summarized comparative information for March 31, 2016)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Property and Equipment

HALO follows the practice of capitalizing all expenditures for furniture 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.

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, 2016, 2015, 2014 and 2013 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.

Revenue Recognition

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. Contributions are reported as revenue in the year in which contributions are received or unconditional promises are received. Conditional contributions are recorded when conditions have been substantially met.

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

March 31, 2017 (with summarized comparative information for March 31, 2016)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition—Continued

In the absence of donor restrictions, all contributions are considered to be available for unrestricted use.

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 have been allocated among program activities and supporting services, as shown in the statement of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with the 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.

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, 2016, from which the summarized information is derived.

Accounts Receivable

Accounts receivable consist of grants receivable and represent the amounts owed by the federal government for the expenditures incurred by HALO in accordance with the grant agreements.

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. Total donated services was \$123,808 and was included in contributions on the statement of activities for the year ended March 31, 2017.

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

March 31, 2017 (with summarized comparative information for March 31, 2016)

NOTE 3—PROPERTY AND EQUIPMENT

At March 31, property and equipment are as follows:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and equipment	\$ 29,617	\$ 26,190
Accumulated depreciation	<u>(26,110)</u>	<u>(23,395)</u>
Net property and equipment	<u>\$ 3,507</u>	<u>\$ 2,795</u>

NOTE 4—UNRESTRICTED NET ASSETS

At March 31, unrestricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
General operating net assets	\$2,452,986	\$2,376,716
Designated for property and equipment	<u>3,507</u>	<u>2,795</u>
	<u>\$2,456,493</u>	<u>\$2,379,511</u>

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

March 31, 2017 (with summarized comparative information for March 31, 2016)

NOTE 5—TEMPORARILY RESTRICTED NET ASSETS

At March 31, temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Nagorno Karabakh	\$ 773,793	\$ 637,977
Global	587,763	96,687
Kosovo	146,882	257,385
West Bank	74,678	32,551
Cambodia	17,593	23,733
Colombia	5,743	3,143
Zimbabwe	5,392	5,359
Sri Lanka	2,753	19,798
Laos	2,377	1,660
Somaliland	2,069	2,069
Angola	965	462
Afghanistan	840	2,030
Georgia	151	469
Mozambique	—	1,487
Various	859	194
	<u>\$1,621,858</u>	<u>\$1,085,004</u>

NOTE 6—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 unrestricted net assets. Translation adjustments for the years ended March 31, 2017 and 2016 were a loss of \$31,673 and a gain of \$23,037, respectively.

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

March 31, 2017 (with summarized comparative information for March 31, 2016)

NOTE 7—COMMITMENTS AND CONTINGENCIES

Lease Commitments

HALO occupies office facilities in Washington, D.C., under a lease agreement which expires in March 2018. HALO is also responsible for its pro rata share of operating expenses and incremental adjustments including real estate taxes. Future rental commitments for 2018 will total \$43,696. Total rent expense for the years ended March 31, 2017 and 2016 was \$44,139 and \$44,628, respectively.

Grant Commitments

As of March 31, 2017, HALO has \$2,720,306 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.

HALO has reported a liability in accounts payable for provisions for severance to employees when they leave HALO in Angola, Cambodia, Colombia, Laos, Sri Lanka and Zimbabwe and annual payments to staff in Somaliland in the amount of \$715,172 and \$678,998 as of March 31, 2017 and 2016, respectively.

NOTE 8—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. HALO also maintains bank and cash balances in various foreign site locations in institutions that may not carry insured limits. HALO has not had any losses related to any deposits.

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

March 31, 2017 (with summarized comparative information for March 31, 2016)

NOTE 8—CONCENTRATIONS OF CREDIT RISK AND REVENUE—Continued

For the years ended March 31, 2017 and 2016, HALO received approximately 84% and 88%, respectively, of its revenue from the U.S. Department of State and other federal agencies. Grants receivable due at March 31, 2017 and 2016 were \$1,378,945 and \$2,241,033, respectively, and are expected to be collectible. HALO's continued support from these agencies is expected.

NOTE 9—RELATED PARTY TRANSACTIONS

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. Such expenses were recharged to HALO for the years ended March 31, 2017 and 2016, in the amount of \$3,096,907 and \$3,684,807, respectively.

During the year, 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 year ended March 31, 2017, HALO subgranted \$17,806,622 total to The HALO Trust (UK). Of the amounts subgranted to The HALO Trust (UK), \$16,291,048 was federally funded and \$1,515,574 was privately funded.

Also, on May 12, 2016, HALO and The HALO Trust (UK) entered into a Trademark License Agreement whereby The HALO Trust (UK) grants HALO an exclusive, royalty-free, fully paid-up license to use The HALO Trust (UK)'s trademarks.

NOTE 10—SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions occurring through September 26, 2017, the date the financial statements were issued, and there were no material subsequent events or transactions requiring disclosure or recognition.