



THE HALO TRUST (USA), INC.

Financial Statements

March 31, 2014

(with comparative totals for March 31, 2013)

(With Independent Auditors' Report Thereon)



KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

The Board of Directors
The HALO Trust (USA), Inc.:

We have audited the accompanying financial statements of The HALO Trust (USA), Inc. (HALO), which comprise the consolidated statement of financial position as of March 31, 2014, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 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 auditors' 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 the entity'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 the entity'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, 2014, and the changes in its net assets, its cash flows and its functional expenses for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited HALO's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 2, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

August 8, 2014

THE HALO TRUST (USA), INC.

Statement of Financial Position

March 31, 2014

(with comparative amounts for 2013)

| Assets | 2014 | 2013 |
|--|---------------------|------------------|
| Assets: | | |
| Cash (note 2a) | \$ 2,201,817 | 2,780,873 |
| Accounts receivable: | | |
| Grants (note 8) | 2,058,568 | 974,371 |
| Other – VAT | 129,299 | 285,984 |
| Deposits and prepaid expenses | 29,119 | 7,930 |
| Property and equipment (note 3) | 1,265 | 2,530 |
| Total assets | <u>\$ 4,420,068</u> | <u>4,051,688</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 1,105,723 | 971,893 |
| Due to The HALO Trust (UK) (note 9) | 508,606 | 406,676 |
| Refundable advance | 83,389 | — |
| Total current liabilities | <u>1,697,718</u> | <u>1,378,569</u> |
| Net assets: | | |
| Unrestricted (note 4) | 2,576,712 | 2,537,042 |
| Temporarily restricted (note 5) | 145,638 | 136,077 |
| Total net assets | 2,722,350 | 2,673,119 |
| Commitments and contingencies (note 7) | | |
| Total liabilities and net assets | <u>\$ 4,420,068</u> | <u>4,051,688</u> |

See accompanying notes to financial statements.

THE HALO TRUST (USA), INC.

Statement of Activities

Year ended March 31, 2014

(with summarized comparative totals for 2013)

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Totals</u> | |
|--|----------------------------|-----------------------------------|-------------------------|-------------------------|
| | | | <u>2014</u> | <u>2013</u> |
| Revenues and support (note 6): | | | | |
| Contributions | \$ 377,736 | 77,156 | 454,892 | 237,249 |
| Federated campaigns | 28,086 | — | 28,086 | 19,507 |
| In-kind donations | 54,950 | — | 54,950 | 29,051 |
| Government grants | — | 19,022,910 | 19,022,910 | 21,023,884 |
| Grants and other | — | 1,194,983 | 1,194,983 | 1,283,347 |
| Investment income | 1,473 | — | 1,473 | 1,653 |
| | <u>462,245</u> | <u>20,295,049</u> | <u>20,757,294</u> | <u>22,594,691</u> |
| Net assets released from restriction for satisfaction of program activities | <u>20,285,488</u> | <u>(20,285,488)</u> | <u>—</u> | <u>—</u> |
| Total revenues and support | <u>20,747,733</u> | <u>9,561</u> | <u>20,757,294</u> | <u>22,594,691</u> |
| Expenses: | | | | |
| Program activities – overseas relief | 19,373,846 | — | 19,373,846 | 21,463,028 |
| Management and general | 1,277,983 | — | 1,277,983 | 1,258,617 |
| Fund raising | 41,625 | — | 41,625 | 35,853 |
| Total expenses | <u>20,693,454</u> | <u>—</u> | <u>20,693,454</u> | <u>22,757,498</u> |
| Change in net assets, before foreign exchange rate adjustment | 54,279 | 9,561 | 63,840 | (162,807) |
| Foreign exchange rate adjustment (note 6) | <u>(14,609)</u> | <u>—</u> | <u>(14,609)</u> | <u>(5,762)</u> |
| Change in net assets | 39,670 | 9,561 | 49,231 | (168,569) |
| Net assets at beginning of year | <u>2,537,042</u> | <u>136,077</u> | <u>2,673,119</u> | <u>2,841,688</u> |
| Net assets at end of year | \$ <u><u>2,576,712</u></u> | <u><u>145,638</u></u> | <u><u>2,722,350</u></u> | <u><u>2,673,119</u></u> |

See accompanying notes to financial statements.

THE HALO TRUST (USA), INC.

Statement of Cash Flows

Year ended March 31, 2014
(with comparative amounts for 2013)

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 49,231 | (168,569) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Realized and unrealized foreign exchange transaction adjustment | 14,609 | 5,762 |
| Depreciation | 1,265 | 3,350 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable – grants | (1,084,197) | (165,560) |
| Accounts receivable – other | 156,685 | (37,908) |
| Deposits and prepaid expenses | (21,189) | 26,214 |
| Accounts payable | 133,830 | 323,633 |
| Due to HALO Trust (UK) | 101,930 | (128,362) |
| Refundable advance | 83,389 | — |
| Net cash used in operating activities | (564,447) | (141,440) |
| Effect of foreign exchange rate changes on cash | (14,609) | (5,762) |
| Net decrease in cash | (579,056) | (147,202) |
| Cash at beginning of year | 2,780,873 | 2,928,075 |
| Cash at end of year | \$ <u>2,201,817</u> | <u>2,780,873</u> |

See accompanying notes to financial statements.

THE HALO TRUST (USA), INC.

Statement of Functional Expenses

Year ended March 31, 2014
(with summarized totals for 2013)

| | Program | | | Supporting services | |
|-------------------------------|------------------------|-------------------------------|---------------------|----------------------------|-------------------|
| | Overseas relief | Management and general | Fund raising | Total expenses | |
| | | | | 2014 | 2013 |
| Salaries and benefits | \$ 11,278,749 | 215,301 | 15,411 | 11,509,461 | 12,122,445 |
| Operating costs | 5,603,717 | 138,492 | 15,807 | 5,758,016 | 6,483,402 |
| Equipment | 1,013,279 | 14,962 | 2,103 | 1,030,344 | 1,781,091 |
| Accommodations | 689,174 | 55,702 | — | 744,876 | 770,227 |
| Insurance | 340,983 | 17,733 | — | 358,716 | 311,108 |
| Professional fees | 6,526 | 150,731 | — | 157,257 | 178,380 |
| Travel | 441,418 | 141,994 | 8,304 | 591,716 | 493,349 |
| Depreciation | — | 1,265 | — | 1,265 | 3,350 |
| Support costs paid to HALO UK | — | 541,803 | — | 541,803 | 614,146 |
| Total expenses | \$ 19,373,846 | 1,277,983 | 41,625 | 20,693,454 | 22,757,498 |

See accompanying notes to financial statements.

THE HALO TRUST (USA), INC.

Notes to Financial Statements

March 31, 2014

(with comparative totals for March 31, 2013)

(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.

(2) Summary of Significant Accounting Policies

(a) Cash

Cash includes deposit accounts domiciled in the United States of America and foreign countries.

(b) 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 The HALO Trust (USA), Inc., 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.

(c) 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 is provided 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.

(d) Tax Status

HALO is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. HALO has been designated a publicly supported organization under Section 170(b)(1)(A)(vi) of the same code. Accordingly, contributions qualify for deduction to the maximum allowance of that code.

HALO files tax returns with the Internal Revenue Service and various state charities agencies. Management is not aware of any tax position taken that requires disclosure based on current facts and circumstances. Management annually reviews its tax positions and has determined that there are

THE HALO TRUST (USA), INC.

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no material uncertain tax positions that require recognition or disclosure in the financial statements. Generally, federal and state authorities may examine HALO's tax returns for three years from the date of filing, consequently, the respective tax returns for years prior to 2010 are no longer subject to examination by tax authorities.

(e) Revenue Recognition

Grants are considered to be contributions under U.S. generally accepted accounting principles 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.

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

(f) 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.

(g) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) Comparative and 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. generally accepted accounting principles. Accordingly, such information should be read in conjunction with HALO's financial statements for the year ended March 31, 2013, from which the summarized information is derived.

(3) Property and Equipment

Property and equipment is as follows:

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|-----------------|--------------|
| Furniture, fixtures, and equipment | \$ 20,659 | 20,659 |
| Accumulated depreciation | (19,394) | (18,129) |
| Net property and equipment | <u>\$ 1,265</u> | <u>2,530</u> |

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(4) Unrestricted Net Assets

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

| | <u>2014</u> | <u>2013</u> |
|---------------------------------------|---------------------|------------------|
| General operating net assets | \$ 2,575,447 | 2,534,512 |
| Designated for property and equipment | 1,265 | 2,530 |
| | <u>\$ 2,576,712</u> | <u>2,537,042</u> |

(5) Temporarily Restricted Net Assets

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

| | <u>2014</u> | <u>2013</u> |
|------------------|-------------------|----------------|
| Cambodia | \$ 62,979 | 44,949 |
| Nagorno Karabakh | 19,185 | 5,811 |
| Afghanistan | 8,697 | 32,403 |
| Angola | 27,045 | — |
| Kosovo | 7,627 | — |
| Zimbabwe | 12,650 | — |
| Global | 2,000 | — |
| Various | 5,455 | 52,914 |
| | <u>\$ 145,638</u> | <u>136,077</u> |

(6) Foreign Currency Translation

Assets and liabilities of The HALO Trust (USA), Inc.'s operations are translated at a month-end exchange rate; revenue and expenses are translated at the monthly average 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, 2014 and 2013 were a loss of \$14,609 and \$5,762, respectively.

(7) Commitments and Contingencies

(a) Lease Commitments

HALO occupies office facilities in San Francisco, California and Washington, D.C., under lease agreements which expire in March 2017 and March 2015, respectively. HALO is also responsible for its pro rata share of operating expenses and incremental adjustments including real estate taxes. Total rent expense for the year ended March 31, 2014 and 2013, was \$55,632 and \$57,212, respectively.

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Minimum future rental commitments for the years ended March 31:

| | | |
|-------|----|-----------------------|
| 2015 | \$ | 63,012 |
| 2016 | | 23,319 |
| 2017 | | <u>23,850</u> |
| Total | \$ | <u><u>110,181</u></u> |

(b) Grant Commitments

As of March 31, 2014, HALO has \$11,193,742 available for future program expenditures from U.S. government and other related grants.

(c) 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 Sri Lanka, Angola and Mozambique and annual payments to staff in Somaliland in the amount of \$911,658 and \$640,019 as of March 31, 2014 and 2013, respectively.

(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.

For the years ended March 31, 2014 and 2013, HALO received approximately 92% and 93% of its revenue from the U.S. Department of State and other federal agencies. Grants receivable due at March 31, 2014 and 2013, were \$2,058,568 and \$974,371, respectively, and are expected to be collectible. HALO's continued support from these agencies is expected.

(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. The HALO Trust (UK) provides management support, personnel, capital equipment from its stock held in the UK and general support. Such expenses were recharged to The HALO Trust (USA), Inc. for the year ended March 31, 2014 and 2013, in the amount of approximately \$2,445,355 and \$3,447,000, respectively.

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(10) Subsequent Events

Management has evaluated subsequent events and transactions occurring through August 8, 2014, the date the financial statements were issued and there were no material subsequent events or transactions requiring disclosure or recognition.