

Financial Statements and Report of
Independent Certified Public
Accountants

The HALO Trust (USA), Inc.

March 31, 2020 *(with summarized comparative
information for March 31, 2019)*

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2020, 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 misstatement.

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, 2020, 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 2019 Summarized Comparative Information*

We have previously audited HALO's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended March 31, 2019 is consistent, in all material respects, with the financial statements from which it has been derived.



Arlington, Virginia
December 11, 2020

The HALO Trust (USA), Inc.

STATEMENTS OF FINANCIAL POSITION

March 31,

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 5,746,426 | \$ 2,453,332 |
| Certificates of deposit | 2,534,899 | 1,500,000 |
| Contributions receivable | 1,147,415 | 5,180,296 |
| Grants receivable | - | 86,355 |
| Due from The HALO Trust (UK) | - | 26,392 |
| Other receivables | - | 104 |
| Deposits and prepaid expenses | 24,623 | 6,560 |
| Property and equipment, net | 5,205 | 7,669 |
| | <hr/> | <hr/> |
| Total assets | <u>\$ 9,458,568</u> | <u>\$ 9,260,708</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 176,448 | \$ 144,145 |
| Due to The HALO Trust (UK) | 28,126 | - |
| | <hr/> | <hr/> |
| Total liabilities | 204,574 | 144,145 |
| NET ASSETS | | |
| Net assets without donor restrictions | 8,155,431 | 8,610,361 |
| Net assets with donor restrictions | 1,098,563 | 506,202 |
| | <hr/> | <hr/> |
| Total net assets | 9,253,994 | 9,116,563 |
| | <hr/> | <hr/> |
| Total liabilities and net assets | <u>\$ 9,458,568</u> | <u>\$ 9,260,708</u> |

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

The HALO Trust (USA), Inc.

STATEMENT OF ACTIVITIES

Year ended March 31, 2020

(with summarized comparative information for March 31, 2019)

| | 2020 | | | 2019 |
|--|----------------------------|-------------------------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Totals | Totals |
| Revenues and support: | | | | |
| Government grants: | | | | |
| Directly implemented | \$ - | \$ 1,562,176 | \$ 1,562,176 | \$ 1,735,190 |
| Subgranted to The HALO Trust (UK) | - | 28,433,465 | 28,433,465 | 26,318,291 |
| Total government grants | - | 29,995,641 | 29,995,641 | 28,053,481 |
| Contributions | 499,171 | - | 499,171 | 942,722 |
| Federated campaigns | 15,457 | - | 15,457 | 16,648 |
| Grants and other | 656,066 | 2,468,873 | 3,124,939 | 2,819,661 |
| Investment income | 70,999 | - | 70,999 | 55,873 |
| | 1,241,693 | 32,464,514 | 33,706,207 | 31,888,385 |
| Net assets released from restriction for satisfaction of program activities | 31,872,153 | (31,872,153) | - | - |
| Total revenues and support | 33,113,846 | 592,361 | 33,706,207 | 31,888,385 |
| Expenses: | | | | |
| Program activities - overseas relief: | | | | |
| Directly implemented | 1,609,863 | - | 1,609,863 | 1,575,223 |
| Subgranted to The HALO Trust (UK) | 30,447,206 | - | 30,447,206 | 33,633,419 |
| Total program activities - overseas relief | 32,057,069 | - | 32,057,069 | 35,208,642 |
| Management and general | 1,216,216 | - | 1,216,216 | 1,112,820 |
| Fundraising | 293,591 | - | 293,591 | 273,452 |
| Total expenses | 33,566,876 | - | 33,566,876 | 36,594,914 |
| Change in net assets, before foreign currenty translation adjustment | (453,030) | 592,361 | 139,331 | (4,706,529) |
| Foreign currency translation adjustment | (1,900) | - | (1,900) | (2,404) |
| CHANGE IN NET ASSETS | (454,930) | 592,361 | 137,431 | (4,708,933) |
| Net assets at beginning of year | 8,610,361 | 506,202 | 9,116,563 | 13,825,496 |
| Net assets at end of year | \$ 8,155,431 | \$ 1,098,563 | \$ 9,253,994 | \$ 9,116,563 |

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

The HALO Trust (USA), Inc.

STATEMENTS OF CASH FLOWS

Years ended March 31,

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 137,431 | \$ (4,708,933) |
| Adjustments necessary to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Foreign currency translation adjustment | 1,900 | 2,404 |
| Depreciation | 4,346 | 4,861 |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | 4,032,881 | 515,000 |
| Grants receivable | 86,355 | 1,329,721 |
| Due from The HALO Trust (UK) | 26,392 | (26,392) |
| Other receivables | 104 | 42,361 |
| Deposits and prepaid expenses | (18,063) | 6,578 |
| Other assets | - | 14,463 |
| Accounts payable | 32,303 | (853,915) |
| Due to The HALO Trust (UK) | 28,126 | (949,888) |
| Net cash provided by (used in) operating activities | <u>4,331,775</u> | <u>(4,623,740)</u> |
| Cash flows used in investing activities: | | |
| Purchase of certificates of deposit | (1,034,899) | (1,500,000) |
| Purchase of property and equipment | (1,882) | (4,274) |
| Net cash used in investing activities | <u>(1,036,781)</u> | <u>(1,504,274)</u> |
| Effect of foreign exchange rate changes on cash | <u>(1,900)</u> | <u>(2,404)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,293,094 | (6,130,418) |
| Cash and cash equivalents at beginning of year | <u>2,453,332</u> | <u>8,583,750</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 5,746,426</u></u> | <u><u>\$ 2,453,332</u></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, 2020

(with summarized comparative information for March 31, 2019)

| | 2020 | | | 2019 | |
|-----------------------|--------------------------------------|------------------------|-------------------|----------------------|----------------------|
| | Program activities - overseas relief | Management and general | Fundraising | Totals | Totals |
| Salaries and benefits | \$ 1,212,115 | \$ 576,653 | \$ 192,197 | \$ 1,980,965 | \$ 1,929,842 |
| Operating costs | 299,767 | - | - | 299,767 | 252,398 |
| Office costs | 10,063 | 81,841 | 36,090 | 127,994 | 108,062 |
| Equipment | 41,746 | - | - | 41,746 | 60,451 |
| Accommodation | 17,402 | 90,224 | - | 107,626 | 108,435 |
| Insurance | 26,754 | 13,263 | - | 40,017 | 47,503 |
| Professional fees | - | 365,859 | 60,053 | 425,912 | 354,260 |
| Travel | 2,016 | 84,030 | 5,251 | 91,297 | 95,683 |
| Depreciation | - | 4,346 | - | 4,346 | 4,861 |
| Subgrants to: | | | | | |
| The HALO Trust (UK) | 30,447,206 | - | - | 30,447,206 | 33,633,419 |
| Total expenses | \$ 32,057,069 | \$ 1,216,216 | \$ 293,591 | \$ 33,566,876 | \$ 36,594,914 |

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

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

(with summarized comparative information for March 31, 2019)

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 8).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash includes deposit accounts domiciled in the United States of America (U.S.) and foreign countries. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

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*

Represent net assets 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*

Represent 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. 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.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2020

(with summarized comparative information for March 31, 2019)

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, 2020, 2019, 2018, and 2017 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.

Contributions and Other 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 \$1,147,415 and \$5,030,296 as of March 31, 2020 and 2019, respectively. The amounts due in one to three years totaled \$0 and \$150,000 as of March 31, 2020 and 2019, 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, 2020 and 2019 were \$192,065 and \$212,003, respectively, and were included in contributions on the statement of activities.

Governmental, Operating, and Private Grants

In 2019, HALO adopted Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made*. ASU 2018-08 clarifies and improves the scope and guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, HALO applied the requirements to agreements that either were not completed as of March 31, 2018 or entered into after April 1, 2019.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2020

(with summarized comparative information for March 31, 2019)

HALO also adopted ASU 2014-09 (Topic 606), *Revenue from Contracts with Customers* ("ASC 606"), on April 1, 2019. The core principle of the standard is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- a. Step 1: Identify the contract(s) with a customer.
- b. Step 2: Identify the performance obligation(s) in the contract.
- c. Step 3: Determine the transaction price.
- d. Step 4: Allocate the transaction price to the performance obligation(s) in the contract.
- e. Step 5: Recognize revenue when (or as) the entity satisfies performance obligation(s).

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The results of applying ASC 606 using the modified retrospective approach did not have a material impact on HALO's financial position, changes in net assets, cash flows, business processes, controls or systems.

Government and private grants are considered to be contributions under the generally accepted accounting principles in the United States of America ("U.S. GAAP") conditioned on HALO incurring qualifying reimbursable expenditures.

Grants Receivable

Grants receivable 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, 2020 and 2019, 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 - CONTINUED

March 31, 2020

(with summarized comparative information for March 31, 2019)

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, 2019, 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 risk, tax laws and political or labor disturbances.

NOTE 3 - PROPERTY AND EQUIPMENT

At March 31, property and equipment are as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-----------------|-----------------|
| Furniture, fixtures and equipment | \$ 44,248 | \$ 42,366 |
| Accumulated depreciation | <u>(39,043)</u> | <u>(34,697)</u> |
| Net property and equipment | <u>\$ 5,205</u> | <u>\$ 7,669</u> |

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

At March 31, 2020, \$31,872,153 was released from donor restrictions for the satisfaction of program activities.

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Direct program activities | \$ 31,796,962 | \$ 30,209,067 |
| Released from contributions with donor restrictions to support fundraising expenses | <u>75,191</u> | <u>55,748</u> |
| Net assets released from restriction for satisfaction of program activities | <u>\$ 31,872,153</u> | <u>\$ 30,264,815</u> |

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2020

(with summarized comparative information for March 31, 2019)

Net assets with donor restrictions are available for programs in the following locations at March 31, 2020 and 2019:

| | 2020 | 2019 |
|------------------|---------------------|-------------------|
| Global | \$ 88,019 | \$ 38,018 |
| West Bank | - | 205,646 |
| Cambodia | 65 | 7,059 |
| Laos | 3,608 | 9,196 |
| Kosovo | - | 122,175 |
| Angola | 1,583 | - |
| Sri Lanka | 167 | 167 |
| Somaliland | 2,190 | 2,190 |
| Afghanistan | 1,473 | 1,231 |
| Zimbabwe | 529 | 421 |
| Georgia | 273 | 273 |
| Nagorno Karabakh | 999,669 | 119,498 |
| Various | 987 | 328 |
| | <u>\$ 1,098,563</u> | <u>\$ 506,202</u> |

NOTE 5 - LIQUIDITY AND AVAILABILITY

As of March 31, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses were as follows:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 5,746,426 | \$ 2,543,332 |
| Certificates of deposit | 2,534,899 | 1,500,000 |
| Grants and other receivables | - | 112,851 |
| Contributions receivable within a year | 1,147,415 | 5,030,296 |
| | <u>9,428,740</u> | <u>9,096,479</u> |
| Total financial assets available within one year | 9,428,740 | 9,096,479 |
| Less: | | |
| Net assets with donor restrictions | <u>(1,098,563)</u> | <u>(506,202)</u> |
| | <u>\$ 8,330,177</u> | <u>\$ 8,590,277</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 8,330,177</u> | <u>\$ 8,590,277</u> |

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2020

(with summarized comparative information for March 31, 2019)

NOTE 6 - 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, 2020 and 2019 was \$90,223 and \$82,581, respectively. The following is a schedule by year of future minimum lease payments under the lease agreements as of March 31, 2020:

| | |
|------------------------------|-------------------|
| Year ending March 31, | |
| 2021 | \$ 86,000 |
| 2022 | 89,440 |
| 2023 | <u>93,018</u> |
| Total minimum lease payments | <u>\$ 268,458</u> |

Grant Commitments

As of March 31, 2020, HALO has \$27,345,674 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.

NOTE 7 - CONCENTRATIONS OF CREDIT RISK AND REVENUE

Financial instruments, which potentially subject HALO to concentrations of credit risk, consist principally of cash, cash equivalents, certificates of deposit and accounts receivable. HALO maintains its cash, cash equivalents and certificates of deposit at various financial institutions in amounts which at times exceed the federally insured amounts. Cash, cash equivalents, and certificates of deposit held at U.S. institutions exceeded the federally insured limits by \$7,582,355 at March 31, 2020. 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 \$388,327 as of March 31, 2020. 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, 2020 and 2019, HALO received approximately 89% and 88%, respectively, of its revenue from the U.S. Department of State and other federal agencies. Grants receivable due at March 31, 2020 and 2019 were \$0 and \$86,355, respectively. HALO's continued support from these agencies is expected.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2020

(with summarized comparative information for March 31, 2019)

NOTE 8 - 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, 2020 and 2019, totaled \$122,166 and \$1,037,392, respectively. For the years ended March 31, 2020 and 2019, The HALO Trust (UK) provided HALO with \$464,000 and \$464,523, 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, 2020 and 2019, HALO subgranted \$30,447,206 and \$33,633,419, respectively, to The HALO Trust (UK). Of the amounts subgranted to The HALO Trust (UK), \$28,433,465 and \$26,318,291, respectively, was federally funded and \$2,013,741 and \$7,315,128, respectively, was privately funded.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions occurring through December 11, 2020 the date the financial statements were issued.

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and internationally. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, HALO is unable to determine if it will have a material impact to its operations.

HALO is not aware of any other material subsequent events which would require recognition or disclosure in the accompanying financial statements.