

Financial Statements, Report of
Independent Certified Public
Accountants and Reports in
Accordance with the Uniform Guidance

The HALO Trust (USA), Inc.

March 31, 2022 (*with summarized comparative
information for March 31, 2021*)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the financial statements of The HALO Trust (USA), Inc. (HALO), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HALO as of March 31, 2022, and the changes 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.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 required to be independent of HALO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matters

Report on 2021 summarized comparative information

We have previously audited HALO's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended March 31, 2021 is consistent, in all material respects, with the financial statements from which it has been derived.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HALO's ability to continue as a going concern for one year after the date the financial statements are issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 HALO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HALO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Arlington, Virginia
October 14, 2022

The HALO Trust (USA), Inc.

STATEMENTS OF FINANCIAL POSITION

March 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 8,682,812	\$ 6,983,514
Contribution receivables	1,023,485	681,294
Deposits and prepaid expenses	28,190	112,706
Property and equipment	<u>1,991</u>	<u>4,377</u>
Total assets	<u><u>\$ 9,736,478</u></u>	<u><u>\$ 7,781,891</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 107,867	\$ 155,758
Due to The HALO Trust (UK)	<u>964</u>	<u>1,959</u>
Total liabilities	108,831	157,717
Net assets		
Net assets without donor restrictions	8,417,288	7,449,241
Net assets with donor restrictions	<u>1,210,359</u>	<u>174,933</u>
Total net assets	<u>9,627,647</u>	<u>7,624,174</u>
Total liabilities and net assets	<u><u>\$ 9,736,478</u></u>	<u><u>\$ 7,781,891</u></u>

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

The HALO Trust (USA), Inc.

STATEMENT OF ACTIVITIES

Year ended March 31, 2022

(with summarized comparative information for March 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
Revenues and support				
Government grants:				
Other (COVID support Grant)	\$ -	\$ -	\$ -	\$ 117,667
Subgranted to The HALO Trust (UK)	-	41,214,915	41,214,915	27,231,694
Total government grants	-	41,214,915	41,214,915	27,349,361
Contributions	1,723,794	3,486,698	5,210,492	596,719
Federated campaigns	12,325	-	12,325	10,573
Grants and other	1,229,731	102,240	1,331,971	1,806,745
Investment income	4,085	-	4,085	24,029
	2,969,935	44,803,853	47,773,788	29,787,427
Net assets released from restriction for satisfaction of program activities	43,768,427	(43,768,427)	-	-
Total revenues and support	46,738,362	1,035,426	47,773,788	29,787,427
Expenses				
Program activities - overseas relief:				
Directly implemented	-	-	-	18,063
Subgranted to The HALO Trust (UK)	44,165,996	-	44,165,996	29,970,429
Total program activities - overseas relief	44,165,996	-	44,165,996	29,988,492
Management and general	1,156,547	-	1,156,547	1,115,680
Fundraising	446,960	-	446,960	314,679
Total expenses	45,769,503	-	45,769,503	31,418,851
Change in net assets, before foreign currency translation adjustment	968,859	1,035,426	2,004,285	(1,631,424)
Foreign currency translation adjustment	(812)	-	(812)	1,604
CHANGE IN NET ASSETS	968,047	1,035,426	2,003,473	(1,629,820)
Net assets at beginning of year	7,449,241	174,933	7,624,174	9,253,994
Net assets at end of year	\$ 8,417,288	\$ 1,210,359	\$ 9,627,647	\$ 7,624,174

The accompanying notes are an integral part of this financial statement.

The HALO Trust (USA), Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended March 31, 2022

(with summarized comparative information for March 31, 2021)

	2022			2021	
	Program Activities - Overseas Relief	Management and General	Fundraising	Totals	Totals
Salaries and benefits	\$ -	\$ 677,188	\$ 391,967	\$ 1,069,155	\$ 935,329
Office costs	-	40,096	26,993	67,089	77,478
Accommodation	-	86,099	-	86,099	69,593
Insurance	-	13,649	-	13,649	12,972
Professional fees	-	297,302	11,187	308,489	334,535
Travel	-	39,827	16,813	56,640	13,021
Depreciation	-	2,386	-	2,386	5,494
Subgrants to:					
The HALO Trust (UK)	44,165,996	-	-	44,165,996	29,970,429
Total expenses	<u>\$ 44,165,996</u>	<u>\$ 1,156,547</u>	<u>\$ 446,960</u>	<u>\$ 45,769,503</u>	<u>\$ 31,418,851</u>

The accompanying notes are an integral part of this financial statement.

The HALO Trust (USA), Inc.
STATEMENTS OF CASH FLOWS
Years ended March 31, 2022

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 2,003,473	\$ (1,629,820)
Adjustments necessary to reconcile net income to net cash provided by (used in) operating activities:		
Foreign currency translation adjustment	812	(1,604)
Depreciation	2,386	5,494
Changes in operating assets and liabilities:		
Contribution receivables	(342,191)	466,121
Deposits and prepaid expenses	84,516	(88,083)
Accounts payable	(47,891)	(20,690)
Due to The HALO Trust (UK)	(995)	(26,167)
	1,700,110	(1,294,749)
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Sales of certificates of deposit	-	2,534,899
Purchase of property and equipment	-	(4,666)
	-	2,530,233
Net cash provided by investing activities		
Effect of foreign exchange rate changes on cash and cash equivalents	(812)	1,604
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,699,298	1,237,088
Cash and cash equivalents at beginning of year	6,983,514	5,746,426
Cash and cash equivalents at end of year	\$ 8,682,812	\$ 6,983,514

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

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

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 restrictions. 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, 2022 and 2021

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. HALO has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Contributions 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. As of March 31, 2022 and 2021, all contributions receivable were due in less than one year.

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, 2022 and 2021 were \$160,194 and \$163,714, respectively, and are included in contributions on the statement of activities.

Governmental, Operating, and Private Grants

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

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2022 and 2021

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 salaries and benefits and office costs 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.

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, 2021, 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.

Accounting Standards to be Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes the guidance in former ASC Topic 840, *Leases*. The most significant change will result in the recognition of lease assets for the right to use the underlying asset, and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. FASB issued ASU 2020-05 that deferred the effective date until annual periods beginning after December 15, 2021, with early adoption permitted. Upon adoption of ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Management is currently evaluating the impact of this ASU on its financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

At March 31, property and equipment are as follows:

	2022	2021
Furniture, fixtures and equipment	\$ 48,914	\$ 48,914
Accumulated depreciation	(46,923)	(44,537)
Net property and equipment	\$ 1,991	\$ 4,377

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2022 and 2021

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

At March 31, net assets released from donor restrictions for the satisfaction of program activities were as follows:

	<u>2022</u>	<u>2021</u>
Direct program activities	\$ 43,683,109	\$ 29,470,718
Released from contributions with donor restrictions to support fundraising expenses	<u>85,318</u>	<u>35,413</u>
Net assets released from restriction for satisfaction of program activities	<u>\$ 43,768,427</u>	<u>\$ 29,506,131</u>

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

	<u>2022</u>	<u>2021</u>
Global	\$ 1,019,252	\$ 65,320
West Bank	-	80
Cambodia	-	65
Laos	-	10,636
Kosovo	-	1,382
Angola	-	3,973
Sri Lanka	-	274
Somaliland	-	2,302
Afghanistan	-	2,103
Zimbabwe	-	529
Georgia	-	273
Nagorno Karabakh	700	86,383
Ukraine	190,407	-
Various	-	1,613
	<u>\$ 1,210,359</u>	<u>\$ 174,933</u>

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2022 and 2021

NOTE 5 - LIQUIDITY AND AVAILABILITY

As of March 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 8,682,812	\$ 6,983,514
Contributions receivable within a year	<u>1,023,485</u>	<u>681,294</u>
Total financial assets available within one year	9,706,297	7,664,808
Less:		
Net assets with donor restrictions	<u>(1,210,359)</u>	<u>(174,933)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,495,938</u>	<u>\$ 7,489,875</u>

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, 2022 and 2021 was \$86,099 and \$99,991, respectively.

HALO also leases a photocopier for the office facilities. The total photocopier lease expense for the years ended March 31, 2022 and 2021 was \$1,100.

The following is a schedule by year of future minimum lease payments under the lease agreements as of March 31, 2022:

<u>Year Ending March 31</u>	
2023	\$ 95,418
2024	2,400
2025	2,400
2026	2,400
2027	<u>2,400</u>
Total minimum lease payments	<u>\$ 105,018</u>

Grant Commitments

As of March 31, 2022, HALO has \$55,775,941 in grant commitments for future program expenditures from U.S. government and other related grants.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2022 and 2021

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, and accounts receivable. HALO maintains its cash and cash equivalents at various financial institutions in amounts which at times exceed the federally insured amounts. Cash and cash equivalents held at U.S. institutions exceeded the federally insured limits by \$8,182,812 at March 31, 2022. HALO also maintains bank and cash balances in various foreign site locations in institutions that may not carry insured limits. HALO held no cash in foreign accounts as of March 31, 2022. 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, 2022 and 2021, HALO received approximately 86% and 92%, respectively, of its revenue from the U.S. Department of State and other federal agencies. HALO's continued support from these agencies is expected.

NOTE 8 - RELATED PARTY TRANSACTIONS

Expenses charged to HALO by The HALO Trust (UK) for general support for the years ended March 31, 2022 and 2021, totaled \$56,199 and \$6,804, respectively. For the years ended March 31, 2022 and 2021, the HALO Trust (UK) provided HALO with \$1,069,537 and \$464,000, 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, 2022 and 2021, HALO subgranted \$44,165,996 and \$29,970,429, respectively, to The HALO Trust (UK). Of the amounts subgranted to The HALO Trust (UK), \$41,214,915 and \$27,231,694, respectively, was federally funded and \$2,951,081 and \$2,738,735, respectively, was privately funded.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions occurring through October 14, 2022, the date the financial statements were issued.

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