

Financial Statements and Report of
Independent Certified Public
Accountants

The HALO Trust (USA), Inc.

March 31, 2021 (*with summarized comparative
information for March 31, 2020*)

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statement of activities (with summarized comparative information for March 31, 2020)	6
Statements of cash flows	7
Statement of functional expenses (with summarized comparative information for March 31, 2020)	8
Notes to financial statements	9

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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, 2021, 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, 2021, 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 2020 Summarized Comparative Information*

We have previously audited HALO's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended March 31, 2020 is consistent, in all material respects, with the financial statements from which it has been derived.

Arlington, Virginia
_____, 2021

The HALO Trust (USA), Inc.

STATEMENTS OF FINANCIAL POSITION

March 31,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 6,983,514	\$ 5,746,426
Certificates of deposit	-	2,534,899
Contribution receivables	681,294	1,147,415
Deposits and prepaid expenses	112,706	24,623
Property and equipment	<u>4,377</u>	<u>5,205</u>
Total assets	<u>\$ 7,781,891</u>	<u>\$ 9,458,568</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 155,758	\$ 176,448
Due to The HALO Trust (UK)	<u>1,959</u>	<u>28,126</u>
Total liabilities	157,717	204,574
 Net assets		
Net assets without donor restrictions	7,449,241	8,155,431
Net assets with donor restrictions	<u>174,933</u>	<u>1,098,563</u>
Total net assets	<u>7,624,174</u>	<u>9,253,994</u>
Total liabilities and net assets	<u>\$ 7,781,891</u>	<u>\$ 9,458,568</u>

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

The HALO Trust (USA), Inc.

STATEMENT OF ACTIVITIES

Year ended March 31, 2021

(with summarized comparative information for March 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
Revenues and support:				
Government grants:				
Other (COVID support Grant)	\$ 117,667	\$ -	\$ 117,667	\$ -
Directly implemented	-	-	-	1,562,176
Subgranted to The HALO Trust (UK)	-	27,231,694	27,231,694	28,433,465
Total government grants	117,667	27,231,694	27,349,361	29,995,641
Contributions	585,582	11,137	596,719	499,171
Federated campaigns	10,573	-	10,573	15,457
Grants and other	467,075	1,339,670	1,806,745	3,124,939
Investment income	24,029	-	24,029	70,999
	1,204,926	28,582,501	29,787,427	33,706,207
Net assets released from restriction for satisfaction of program activities	29,506,131	(29,506,131)	-	-
Total revenues and support	30,711,057	(923,630)	29,787,427	33,706,207
Expenses:				
Program activities - overseas relief:				
Directly implemented	18,063	-	18,063	1,609,863
Subgranted to The HALO Trust (UK)	29,970,429	-	29,970,429	30,447,206
Total program activities - overseas relief	29,988,492	-	29,988,492	32,057,069
Management and general	1,115,680	-	1,115,680	1,216,216
Fundraising	314,679	-	314,679	293,591
Total expenses	31,418,851	-	31,418,851	33,566,876
Change in net assets, before foreign currency translation adjustment	(707,794)	(923,630)	(1,631,424)	139,331
Foreign currency translation adjustment	1,604	-	1,604	(1,900)
CHANGE IN NET ASSETS	(706,190)	(923,630)	(1,629,820)	137,431
Net assets at beginning of year	8,155,431	1,098,563	9,253,994	9,116,563
Net assets at end of year	\$ 7,449,241	\$ 174,933	\$ 7,624,174	\$ 9,253,994

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

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,629,820)	\$ 137,431
Adjustments necessary to reconcile net income to net cash (used in) provided by operating activities:		
Foreign currency translation adjustment	(1,604)	1,900
Depreciation	5,494	4,346
Changes in operating assets and liabilities:		
Contribution receivables	466,121	4,032,881
Grants receivables	-	86,355
Due from The HALO Trust (UK)	-	26,392
Other receivables	-	104
Deposits and prepaid expenses	(88,083)	(18,063)
Accounts payable	(20,690)	32,303
Due to The HALO Trust (UK)	<u>(26,167)</u>	<u>28,126</u>
Net cash (used in) provided by operating activities	(1,294,749)	4,331,775
Cash flow used in investing activity:		
Purchase of certificates of deposit	-	(1,034,899)
Sales of certificates of deposit	2,534,899	-
Purchase of property and equipment	<u>(4,666)</u>	<u>(1,882)</u>
Net cash provided by (used in) investing activity	2,530,233	(1,036,781)
Effect of foreign exchange rate changes on cash	<u>1,604</u>	<u>(1,900)</u>
NET INCREASE IN CASH	1,237,088	3,293,094
Cash at beginning of year	<u>5,746,426</u>	<u>2,453,332</u>
Cash at end of year	<u>\$ 6,983,514</u>	<u>\$ 5,746,426</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, 2021

(with summarized comparative information for March 31, 2020)

	2021			2020	
	Program activities - overseas relief	Management and general	Fundraising	Totals	Totals
Salaries and benefits	\$ -	\$ 642,219	\$ 293,110	\$ 935,329	\$ 1,980,965
Operating costs	-	-	-	-	299,767
Office costs	18,063	37,956	21,459	77,478	127,994
Equipment	-	-	-	-	41,746
Accommodation	-	69,593	-	69,593	107,626
Insurance	-	12,972	-	12,972	40,017
Professional fees	-	334,425	110	334,535	425,912
Travel	-	13,021	-	13,021	91,297
Depreciation	-	5,494	-	5,494	4,346
Subgrants to:					
The HALO Trust (UK)	29,970,429	-	-	29,970,429	30,447,206
Total expenses	\$ 29,988,492	\$ 1,115,680	\$ 314,679	\$ 31,418,851	\$ 33,566,876

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

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2021 and 2020

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, 2021 and 2020

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. As of March 31, 2021 and 2020, 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, 2021 and 2020 were \$163,714 and \$192,065, respectively, and were 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 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, 2021 and 2020, 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

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

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, 2020, 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:

	2021	2020
Furniture, fixtures and equipment	\$ 48,914	\$ 44,248
Accumulated depreciation	(44,537)	(39,043)
Net property and equipment	<u>\$ 4,377</u>	<u>\$ 5,205</u>

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:

	2021	2020
Direct program activities	\$ 29,470,718	\$ 31,796,962
Released from contributions with donor restrictions to support fundraising expenses	<u>35,413</u>	<u>75,191</u>
Net assets released from restriction for satisfaction of program activities	<u>\$ 29,506,131</u>	<u>\$ 31,872,153</u>

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

Net assets with donor restrictions are available for programs in the following locations at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Global	\$ 65,320	\$ 88,019
West Bank	80	-
Cambodia	65	65
Laos	10,636	3,608
Kosovo	1,382	-
Angola	3,973	1,583
Sri Lanka	274	167
Somaliland	2,302	2,190
Afghanistan	2,103	1,473
Zimbabwe	529	529
Georgia	273	273
Nagorno Karabakh	86,383	999,669
Various	1,613	987
	<u>\$ 174,933</u>	<u>\$ 1,098,563</u>

NOTE 5 - LIQUIDITY AND AVAILABILITY

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

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 6,983,514	\$ 5,746,426
Certificates of deposit	-	2,534,899
Contributions receivable within a year	<u>681,294</u>	<u>1,147,415</u>
Total financial assets available within one year	7,664,808	9,428,740
Less:		
Net assets with donor restrictions	<u>(174,933)</u>	<u>(1,098,563)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,489,875</u>	<u>\$ 8,330,177</u>

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

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, 2021 and 2020 was \$99,991 and \$90,223, respectively. The following is a schedule by year of future minimum lease payments under the lease agreements as of March 31, 2021:

Year ending March 31,	
2022	\$ 89,440
2023	<u>93,018</u>
Total minimum lease payments	<u>\$ 182,458</u>

Grant Commitments

As of March 31, 2021, HALO has \$46,662,763 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.

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 continues to work with host governments to determine the ability for its humanitarian work to continue during local lockdowns.

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 \$6,329,469 at March 31, 2021. 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 \$321,620 as of March 31, 2021. 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, 2021 and 2020, HALO received approximately 92% and 89%, respectively, of its revenue from the U.S. Department of State and other federal agencies. HALO's continued support from these agencies is expected.

The HALO Trust (USA), Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2021 and 2020

NOTE 8 - RELATED PARTY TRANSACTIONS

Expenses charged to HALO by The HALO Trust (UK) for general support for the years ended March 31, 2021 and 2020, totaled \$6,804 and \$122,166, respectively. For each of the years ended March 31, 2021 and 2020, The HALO Trust (UK) provided HALO with \$464,000 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, 2021 and 2020, HALO subgranted \$29,970,429 and \$30,447,206, respectively, to The HALO Trust (UK). Of the amounts subgranted to The HALO Trust (UK), \$27,231,694 and \$28,433,465, respectively, was federally funded and \$2,738,735 and \$2,013,741, respectively, was privately funded.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions occurring through _____, 2021, 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.