

Financial Statements and Report of  
Independent Certified Public Accountants

The HALO Trust (USA), Inc.

March 31, 2016 (with summarized comparative information  
for March 31, 2015)

# The HALO Trust (USA), Inc.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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 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 the consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements.



The HALO Trust (USA), Inc.

Statements of Financial Position

March 3	2016	2015
<b>Assets</b>		
Cash	\$ 2,090,602	\$ 2,113,042
Accounts receivable:		
Grants	2,241,033	1,908,540
Other - VAT	199,740	99,202
Other	—	4,083
Deposits and prepaid expenses	34,101	53,332
Property and equipment	2,795	2,329
<b>Total Assets:</b>	<b>\$ 4,568,27</b>	<b>\$ 4,180,52</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 837,220	\$ 1,256,897
Due to The HALO Trust (UK)	266,536	326,860
Refundable advance	—	3,551
<b>Total current liabilities</b>	<b>1,103,756</b>	<b>1,587,308</b>
<b>Commitments and Contingencies</b>	—	—
<b>Net Assets</b>		
Unrestricted	2,379,511	2,521,064
Temporarily restricted	1,085,004	72,156
<b>Total net assets</b>	<b>3,464,51</b>	<b>2,593,22</b>
<b>Total Liabilities and Net Assets:</b>	<b>\$ 4,568,27</b>	<b>\$ 4,180,52</b>

The accompanying notes are an integral part of these financial statements

The HALO Trust (USA), Inc.

Statements of Activities

Year ended March 31, (with summarized comparative information for March 31)	Unrestricted	Temporarily Restricted	2016	2015
<b>Revenues and Support:</b>				
Contributions	\$ 218,531	\$ 76,616	\$ 295,147	\$ 261,886
Federated campaigns	18,350	—	18,350	2,060
Government grants	—	18,237,714	18,237,714	19,252,166
Grants and other	13,151	2,128,253	2,141,404	956,437
Investment income	1,182	—	1,182	832
	251,215	20,442,583	20,693,798	20,473,381
Net assets released from restriction for satisfaction of program activities:	19,429,732	(19,429,732)	—	—
<b>Total revenues and support</b>	<b>19,680,947</b>	<b>1,012,848</b>	<b>20,693,798</b>	<b>20,473,381</b>
<b>Expenses:</b>				
Program activities - overseas relief	18,542,948	—	18,542,948	19,272,203
Management and general	1,282,387	—	1,282,387	1,322,632
Fundraising	20,201	—	20,201	15,451
<b>Total expenses</b>	<b>19,845,536</b>	<b>—</b>	<b>19,845,536</b>	<b>20,610,286</b>
Change in net assets, before foreign exchange rate adjustment	(164,589)	1,012,848	848,258	(136,910)
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The HALO Trust (USA), Inc.

Statements of Cash Flows

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Years ended March 31,	2016	2015
Cash Flows from Operating Activities:		
Change in net assets	\$ 871,295	\$ (129,130)
Adjustments necessary to reconcile net income to net cash provided by operating activities:		
Realized and unrealized foreign exchange transaction adjustment	(23,037)	(7,780)
Depreciation	1,572	2,430
Change in operating assets and liabilities:		
Accounts receivable - grants	(332,493)	150,028
Accounts receivable - other	(96,454)	26,014
Deposits and prepaid expenses	19,231	(24,213)
Accounts payable	(419,678)	151,174
Due to The HALO Trust (UK)	(60,324)	(181,747)
Refundable advance	(3,551)	(79,838)
Net Cash Used in Operating Activities	(43,439)	(93,062)

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The HALO Trust (USA), Inc.

Statements of Functional Expenses

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Year ended March 31, 2016 (with su  
comparative information for March

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# The HALO Trust (USA), Inc.

## Notes to Financial Statements

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March 31, 2016 (with summarized comparative information for March 31, 2015)

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### 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.

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### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Cash*

Cash includes deposit accounts domiciled in the United States of America 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, 2016 and 2015. Cash held at individual US institutions does not exceed the federally insured limits at March 31, 2016 and 2015, respectively.

#### *Net Asset Classification*

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

- x 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.
- x Temporarily restricted net assets represent amounts which are donor restricted for a specific purpose. When a donor restriction expires, when a stipulated time restriction ends or a purpose restriction is accomplished,

# The HALO Trust (USA), Inc.

## Notes to Financial Statements—Continued

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March 31, 2016 (with summarized comparative information for March 31, 2015)

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### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

#### *Property and Equipment*

HALO follows the practice of capitalizing all expenses 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 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 its relation to financial statement recognition and measurement. This guidance provides that the effect of 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 IRC 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 filing and tax obligations in jurisdictions for which it has nexus; and to identify and ev

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

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March 31, 2016 (with summarized comparative information for March 31, 2015)

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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 support 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 to program activities and supporting services, as shown in the statement of functional expenses.

*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.

*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. generally accepted accounting principles. Accordingly, such information should be read in conjunction with HALO's financial statements for the year ended March 31, 2015, 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.

The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

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March 31, 2016 (with summarized disclosure information for March 31, 2015)

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NOTE 3—PROPERTY AND EQUIPMENT



The HALO Trust (USA), Inc.

Notes to Financial Statements—Continued

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March 31, 2016 (with summarized data comparable to information for March 31, 2015)

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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 share of operating expenses and incremental adjustments including real estate taxes. Total expense for the year ended March 31, 2016 and 2015, was \$44,628 and \$63,282, respectively.

Minimum future rental commitments for the years ended March 31:

<u>Year</u>	<u>Amount</u>
2017	\$ 42,014
2018	<u>43,695</u>
Total	<u>\$ 85,709</u>

*Grant Commitments*

As of March 31, 2016, HALO has \$ 10,679 grant commitments for future program expenditures from U.S. government and other related grants.

*Contingencies*

Costs charged to the federal government under 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 \$678,998 and \$959,939 as of March 31, 2016 and 2015, respectively.

# The HALO Trust (USA), Inc.

## Notes to Financial Statements—Continued

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March 31, 2016 (with summarized data compared to information for March 31, 2015)

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### 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 federally insured amounts. HALO also maintains bank and cash balances in various foreign financial institutions that may not carry insured limits. HALO has not had any losses related to any deposits.

For the years ended March 31, 2016 and 2015, HALO received approximately 88% and 94% of its revenue from the U.S. Department of State and other federal agencies. Grants receivable due at March 31, 2016 and 2015, were \$2,241,033 and \$1,908,510, respectively, and are expected to be collectible. HALO's continued support from these agencies is expected.

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### NOTE 9—RELATED PARTY TRANSACTIONS

HALO is allied with The HALO Trust (a UK registered not-for-profit entity) due to common management between the organizations. The UK Trust 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, 2016 and 2015, in the amount of approximately \$3,867,000 and \$3,212,391, respectively.

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### NOTE 10—SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions occurring through September 1, 2016, the date the financial statements were issued, and there were no material subsequent events or transactions requiring disclosure or recognition.