



SHELTERBOX USA, INC.

Financial Statements

December 31, 2012 and June 30, 2011

(With Independent Auditors' Report Thereon)

SHELTERBOX USA, INC.

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KPMG LLP
Suite 1700
100 North Tampa Street
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Independent Auditors' Report

The Board of Directors
ShelterBox USA, Inc.:

We have audited the accompanying financial statements of ShelterBox USA, Inc. which comprise the statements of financial position as of December 31, 2012 and June 30, 2011, and the related statements of activities, cash flows, and functional expenses for the eighteen month period ended December 31, 2012 and the year ended June 30, 2011, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 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 ShelterBox USA, Inc. as of December 31, 2012 and June 30, 2011, and the changes in its net assets and its cash flows for the eighteen month period ended December 31, 2012 and the year ended June 30, 2011 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Tampa, Florida
May 7, 2013
Certified Public Accountants

SHELTERBOX USA, INC.

Statements of Financial Position

December 31, 2012 and June 30, 2011

Assets	2012	2011
Cash and cash equivalents	\$ 687,014	1,673,212
Accounts receivable	39,531	—
Computer and equipment, net	4,398	7,109
Security deposit	227	377
Total assets	<u>\$ 731,170</u>	<u>1,680,698</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 19,561	18,675
Deferred revenue	—	4,471
Due to ShelterBox Trust	3,864	—
Total liabilities	<u>23,425</u>	<u>23,146</u>
Net assets:		
Unrestricted	476,345	859,425
Unrestricted – designated for future aid grants	231,400	798,127
Total net assets	<u>707,745</u>	<u>1,657,552</u>
Total liabilities and net assets	<u>\$ 731,170</u>	<u>1,680,698</u>

See accompanying notes to financial statements.

Statements of Activities

Eighteen month period ended December 31, 2012 and year ended June 30, 2011

	December 31, 2012			June 30, 2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:								
Contributions	\$ 2,921,655	—	—	2,921,655	4,734,243	—	—	4,734,243
In-kind contributions	51,321	—	—	51,321	31,079	—	—	31,079
Grants	129,471	—	—	129,471	70,494	—	—	70,494
Interest income (net)	662	—	—	662	1,060	—	—	1,060
Total support and revenue	3,103,109	—	—	3,103,109	4,836,876	—	—	4,836,876
Expenses:								
Program services	2,860,979	—	—	2,860,979	3,108,026	—	—	3,108,026
Support services:								
General and administrative	894,590	—	—	894,590	789,399	—	—	789,399
Fund-raising	297,347	—	—	297,347	140,429	—	—	140,429
Total expenses	4,052,916	—	—	4,052,916	4,037,854	—	—	4,037,854
Change in net assets	(949,807)	—	—	(949,807)	799,022	—	—	799,022
Net assets, beginning of year	1,657,552	—	—	1,657,552	858,530	—	—	858,530
Net assets, end of year	707,745	—	—	707,745	1,657,552	—	—	1,657,552

See accompanying notes to financial statements.

SHELTERBOX USA, INC.

Statements of Cash Flows

Eighteen month period ended December 31, 2012 and year ended June 30, 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (949,807)	799,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,964	4,568
Changes in assets and liabilities:		
Accounts receivable	(39,531)	—
Due from ShelterBox Trust	—	15,243
Security deposit	150	—
Accounts payable and accrued expenses	886	(74)
Deferred revenue	(4,471)	4,471
Due to ShelterBox Trust	3,864	(362,465)
Net cash (used in) provided by operating activities	<u>(982,945)</u>	<u>460,765</u>
Cash flows from investing activity:		
Purchases of equipment	<u>(3,253)</u>	<u>(3,038)</u>
Net cash used in investing activity	<u>(3,253)</u>	<u>(3,038)</u>
Net (decrease) increase in cash and cash equivalents	(986,198)	457,727
Cash and cash equivalents, beginning of year	<u>1,673,212</u>	<u>1,215,485</u>
Cash and cash equivalents, end of year	\$ <u><u>687,014</u></u>	<u><u>1,673,212</u></u>
Supplemental cash flow information:		
In-kind gifts	\$ 51,321	31,079

See accompanying notes to financial statements.

SHELTERBOX USA, INC.

Statements of Functional Expenses

Eighteen month period ended December 31, 2012 and year ended June 30, 2011

	December 31, 2012				June 30, 2011			
	Program services	General and administrative	Fund-raising	Total	Program services	General and administrative	Fund-raising	Total
Salaries, taxes, and benefits	\$ 103,360	364,994	205,790	674,144	68,000	286,330	45,157	399,487
ShelterBox Trust	2,732,610	—	—	2,732,610	3,015,981	—	—	3,015,981
Bank and payroll fees	—	21,392	—	21,392	—	44,609	—	44,609
Licenses and fees	—	6,862	—	6,862	—	5,606	—	5,606
Travel	9,284	56,051	—	65,335	8,913	54,096	41,049	104,058
Office expense	—	14,783	36,772	51,555	—	15,782	—	15,782
Professional services	—	94,994	—	94,994	—	129,293	10,470	139,763
Rent	—	36,325	—	36,325	—	21,150	—	21,150
Marketing	—	146,375	19,351	165,726	—	122,748	15,346	138,094
Postage	38	37,563	31,334	68,935	—	31,227	22,072	53,299
Meetings and events	14,812	27,609	589	43,010	15,132	37,391	6,335	58,858
Utilities and telephone	—	32,745	—	32,745	—	16,640	—	16,640
Repairs and maintenance	—	3,253	—	3,253	—	2,192	—	2,192
Insurance – general	875	19,392	—	20,267	—	4,126	—	4,126
Training	—	13,441	—	13,441	—	4,217	—	4,217
Miscellaneous	—	12,847	3,511	16,358	—	9,424	—	9,424
Depreciation	—	5,964	—	5,964	—	4,568	—	4,568
	\$ 2,860,979	894,590	297,347	4,052,916	3,108,026	789,399	140,429	4,037,854

See accompanying notes to financial statements.

SHELTERBOX USA, INC.

Notes to Financial Statements

December 31, 2012 and June 30, 2011

(1) Organization

ShelterBox USA, Inc. (ShelterBox USA) is a Florida not-for-profit corporation, organized for the purpose of providing humanitarian relief and aid in the form of equipment and materials that provide shelter, warmth, and comfort to people displaced by natural or other disasters.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of ShelterBox USA are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

ShelterBox USA previously had a June 30 year-end. In 2012, ShelterBox USA changed its fiscal year-end to December 31.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The three net asset categories are reflected in the accompanying financial statements as follows:

- Unrestricted – Net assets that are free of donor-imposed stipulations.
- Temporarily restricted – Net assets whose use by ShelterBox USA is limited by donor-imposed stipulations that may be met either by action of ShelterBox USA or by the passage of time. Temporarily restricted gifts that are received and expended in the same fiscal year are classified as unrestricted revenue. ShelterBox USA had no temporarily restricted net assets at December 31, 2012 and June 30, 2011.
- Permanently restricted net assets – Net assets whose use by ShelterBox USA is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by ShelterBox USA. ShelterBox USA had no permanently restricted net assets at December 31, 2012 and June 30, 2011.

(b) Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

(c) Fair Value of Financial Instruments

- Fair Value Determination

The fair value of ShelterBox USA's financial instruments as of December 31, 2012 and June 30, 2011 represents management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset.

SHELTERBOX USA, INC.

Notes to Financial Statements

December 31, 2012 and June 30, 2011

The carrying amounts reported in the statements of financial position for cash and cash equivalents, accounts receivable, due to or from ShelterBox Trust, and accounts payable and accrued expenses approximate fair value because of their short-term maturities.

- **Fair Value Hierarchy**

Financial Accounting Standards Board (FASB) ASC Topic 820 (Topic 820), *Fair Value Measurements and Disclosures*, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including management's own assumptions in determining the fair value of investments)

At December 31, 2012 and June 30, 2011, cash and cash equivalents of \$687,014 and \$1,673,212, respectively, were considered Level 1.

(d) Cash and Cash Equivalents

ShelterBox USA considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. At December 31, 2012 and June 30, 2011, cash and cash equivalents included \$260,259 and \$258,344, respectively, in a money market account.

(e) Computer and Equipment

Computer and equipment are stated at cost, when purchased, or at fair value at date of gift, when donated. Depreciation is recognized over the estimated useful lives of the assets of three years using the straight-line method. Depreciation expense for the eighteen month period ended December 31, 2012 and year ended June 30, 2011 totaled \$5,964 and \$4,568, respectively.

(f) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are classified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

(g) Deferred Revenue

Deferred revenue represents grant funds received from ShelterBox Trust, which had not been expended for grant purposes at June 30, 2011.

SHELTERBOX USA, INC.

Notes to Financial Statements

December 31, 2012 and June 30, 2011

(h) *Donated Goods and Services*

ShelterBox USA records various types of in-kind support. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of assets other than cash are recorded at their estimated fair value when received. ShelterBox USA received service and material donations, which are included in the accompanying statements of activities as in-kind contributions in the amount of \$51,321 and \$31,079 for the eighteen month period ended December 31, 2012 and the year ended June 30, 2011, respectively.

The fair value of the in-kind contributions as of December 31, 2012 and June 30, 2011 consisted of the following:

	2012	2011
Donated facilities	\$ 32,850	19,710
Travel	11,606	10,859
Other	6,865	510
Total	\$ 51,321	31,079

A substantial number of unpaid volunteers have made significant contributions of their time that do not meet the two recognition criteria described above. Accordingly, the value of this donated time is not reflected in the financial statements.

(i) *Functional Allocation of Expenses*

The costs of providing the various programs and other activities of ShelterBox USA have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) *Income Taxes*

ShelterBox USA is a not-for-profit organization exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(3). However, ShelterBox USA remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management asserts that no such uncertain tax positions exist for ShelterBox USA at December 31, 2012 and June 30, 2011.

SHELTERBOX USA, INC.

Notes to Financial Statements

December 31, 2012 and June 30, 2011

(k) Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management of ShelterBox USA to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses recognized during the period. Actual results could differ from those estimates.

(3) Related Parties

ShelterBox USA has a relationship and affiliation with ShelterBox Trust, a registered United Kingdom charity. ShelterBox Trust submits funding requests to ShelterBox USA. Upon review and approval by ShelterBox USA's Finance and Audit Committee (with notice given to the Board of Directors), ShelterBox USA then funds ShelterBox Trust requests. In turn, ShelterBox Trust provides financial and operational information on a periodic basis during the fiscal year to confirm that funds have been faithfully and fully utilized in accordance with ShelterBox USA's charitable purpose. Funds remitted to ShelterBox Trust totaling \$2,732,610 and \$3,015,981 for the eighteen month period ended December 31, 2012 and year ended June 30, 2011, respectively, are included in the accompanying statements of activities as program services expense.

At December 31, 2012 and June 30, 2011, no funds were due to ShelterBox Trust for unrestricted funds solicited by ShelterBox USA and granted to ShelterBox Trust as described in the prior paragraph, that were not yet remitted to ShelterBox Trust.

ShelterBox Trust also provides operating funds to ShelterBox USA for North American ShelterBox Response Team (SRT) coordination, selection, training, and travel. The SRT costs (SRT coordinator's salary, training, and travel) are an obligation of ShelterBox Trust. ShelterBox USA records an asset upon receipt of SRT funds and a liability when SRT costs have been incurred. At December 31, 2012, \$3,864 of SRT funds were due to ShelterBox Trust.

During the eighteen month period ended December 31, 2012, ShelterBox Trust provided a grant to ShelterBox USA for \$129,471 related to a project for youth scouting programs, all of which had been earned at December 31, 2012. During the year ended June 30, 2011, ShelterBox Trust provided a grant to ShelterBox USA for \$74,965 related to a project for youth scouting programs, of which \$70,494 had been earned at June 30, 2011.

(4) Concentrations of Credit Risk

ShelterBox USA maintains its cash and cash equivalents accounts with large financial institutions. Interest-bearing accounts at each financial institution are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. ShelterBox USA has one interest-bearing account, which exceeds the federally insured deposited amount. Deposits held in noninterest-bearing transaction accounts were fully insured regardless of the amount in the account. Management does not anticipate nonperformance by this financial institution.

SHELTERBOX USA, INC.

Notes to Financial Statements

December 31, 2012 and June 30, 2011

(5) Subsequent Events

Subsequent events have been evaluated through May 7, 2013, which is the date the financial statements were available to be issued. No subsequent events occurred that required disclosure in the notes to the financial statements.