



SHELTERBOX USA, INC.

Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

SHELTERBOX USA, INC.

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KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

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, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years 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 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 6, 2016
Certified Public Accountants

SHELTERBOX USA, INC.

Statements of Financial Position

Years ended December 31, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 2,228,596	1,415,816
Due from ShelterBox Trust	1,642	1,593
Prepaid expense	6,264	16,505
Computer and equipment, net	5,626	7,425
Total assets	<u>\$ 2,242,128</u>	<u>1,441,339</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 23,869	15,061
Total liabilities	<u>23,869</u>	<u>15,061</u>
Net assets:		
Unrestricted	1,620,216	1,315,883
Unrestricted - board designated reserve	553,946	—
Unrestricted – designated for future aid grants	44,097	110,395
Total net assets	<u>2,218,259</u>	<u>1,426,278</u>
Total liabilities and net assets	<u>\$ 2,242,128</u>	<u>1,441,339</u>

See accompanying notes to financial statements.

SHELTERBOX USA, INC.

Statements of Activities

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Support and revenue:		
Contributions	\$ 5,250,708	2,384,590
In-kind contributions	663	—
Interest income (net)	(131)	28
Total support and revenue	<u>5,251,240</u>	<u>2,384,618</u>
Expenses:		
Program services	3,821,413	2,069,162
Support services:		
General and administrative	400,541	549,179
Fund-raising	237,305	105,548
Total expenses	<u>4,459,259</u>	<u>2,723,889</u>
Change in net assets	791,981	(339,271)
Net assets, beginning of year	<u>1,426,278</u>	<u>1,765,549</u>
Net assets, end of year	<u>\$ 2,218,259</u>	<u>1,426,278</u>

See accompanying notes to financial statements.

SHELTERBOX USA, INC.

Statements of Cash Flows

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 791,981	(339,271)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,799	1,799
Changes in assets and liabilities:		
Due from ShelterBox Trust	(49)	15,165
Prepaid expense	10,241	(14,410)
Accounts payable and accrued expenses	8,808	1,437
Net cash provided by (used in) operating activities	<u>812,780</u>	<u>(335,280)</u>
Cash flows from investing activity:		
Purchases of equipment	<u>—</u>	<u>(7,918)</u>
Net cash used in investing activity	<u>—</u>	<u>(7,918)</u>
Net increase (decrease) in cash and cash equivalents	812,780	(343,198)
Cash and cash equivalents, beginning of year	<u>1,415,816</u>	<u>1,759,014</u>
Cash and cash equivalents, end of year	<u>\$ 2,228,596</u>	<u>1,415,816</u>
Supplemental cash flow information:		
In-kind gifts	\$ 663	—

See accompanying notes to financial statements.

SHELTERBOX USA, INC.

Statements of Functional Expenses

Years ended December 31, 2015 and 2014

	December 31, 2015				December 31, 2014			
	Program services	General and administrative	Fund-raising	Total	Program services	General and administrative	Fund-raising	Total
Salaries, taxes, and benefits	\$ 45,611	160,267	112,017	317,895	16,417	271,152	63,895	351,464
ShelterBox Trust	3,709,116	—	—	3,709,116	2,051,528	—	—	2,051,528
Bank and payroll fees	—	40,580	774	41,354	—	16,255	—	16,255
Licenses and fees	—	70	4,213	4,283	—	6,537	—	6,537
Travel	7,351	—	25,941	33,292	—	22,515	13,078	35,593
Office expense	—	17,071	—	17,071	—	16,318	—	16,318
Professional services	—	94,539	5,970	100,509	—	35,721	—	35,721
Rent	—	18,397	—	18,397	—	17,538	—	17,538
Marketing	16,908	3,016	26,190	46,114	—	55,770	12,320	68,090
Postage	11,450	21,046	20,902	53,398	—	29,141	15,087	44,228
Meetings and events	26,838	311	35	27,184	—	8,113	—	8,113
Utilities and telephone	15	18,534	—	18,549	—	13,770	—	13,770
Repairs and maintenance	—	1,792	—	1,792	—	2,074	—	2,074
Insurance – general	—	16,921	—	16,921	—	11,493	—	11,493
Training	2,421	277	7,238	9,936	1,217	8,266	—	9,483
Miscellaneous	1,703	5,921	34,025	41,649	—	32,717	1,168	33,885
Depreciation	—	1,799	—	1,799	—	1,799	—	1,799
	<u>\$ 3,821,413</u>	<u>400,541</u>	<u>237,305</u>	<u>4,459,259</u>	<u>2,069,162</u>	<u>549,179</u>	<u>105,548</u>	<u>2,723,889</u>

See accompanying notes to financial statements.

SHELTERBOX USA, INC.

Notes to Financial Statements

December 31, 2015 and 2014

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

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. ShelterBox USA only had unrestricted activity for the years ended December 31, 2015 and 2014. 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, 2015 and 2014.
- 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, 2015 and 2014.

(b) Liquidity

Assets are presented in the accompanying statements 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, 2015 and 2014 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.

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Notes to Financial Statements

December 31, 2015 and 2014

Fair Value Hierarchy

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, 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)

The carrying amounts reported in the statements of financial position for cash and cash equivalents, prepaid expense, due to or from ShelterBox Trust, and accounts payable and accrued expenses approximate fair value because of their short-term maturities, and are considered Level 1 at December 31, 2015 and 2014.

(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, 2015 and 2014, cash and cash equivalents included \$282,113 and \$265,432, 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 years ended December 31, 2015 and 2014 totaled \$1,799 and \$1,799, 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.

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(g) 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 \$663 for the years ended December 31, 2015. No such amounts were received in 2014.

The fair value of the in-kind contributions as of December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Other	\$ 663	—
Total	<u>\$ 663</u>	<u>—</u>

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 accompanying financial statements.

(h) 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.

(i) 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, 2015 and 2014.

(j) 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

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Notes to Financial Statements

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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 revenue 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 by the Finance and Audit Committee and ultimately approval by the board of directors, ShelterBox USA 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 \$3,709,116 and \$2,051,528 for the years ended December 31, 2015 and 2014, respectively, are included in the accompanying statements of activities as program services expense.

At December 31, 2015 and 2014, 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, which 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 are an obligation of ShelterBox Trust. ShelterBox USA records an asset when SRT costs are incurred and funds have not yet been received and a liability when SRT funds are received in advance. Amounts due from ShelterBox Trust for SRT funds were \$1,642 and \$1,593 at December 31, 2015 and 2014, respectively.

(4) Concentrations of Credit Risk

ShelterBox USA maintains its cash and cash equivalents accounts with large financial institutions. Individual accounts at each financial institution are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. Each individual account exceeds the federally insured deposited amount. Management does not anticipate nonperformance by financial institutions.

(5) Employee Benefit Plan

Effective January 1, 2010, the Company adopted a 401(k) Profit Sharing Plan that covers all employees once they have attained three months of service. The plan provides for a company match of varying amounts of employee contributions. The employer match was \$7,455 and \$1,197 in the years ended December 31, 2015 and 2014, respectively.

(6) Subsequent Events

Subsequent events have been evaluated through May 6, 2016, 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.