

SHELTERBOX USA, INC.

FINANCIAL REPORT

DECEMBER 31, 2016

SHELTERBOX USA, INC.

FINANCIAL REPORT DECEMBER 31, 2016

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT.....	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses.....	6 and 7
Notes to Financial Statements.....	8-12



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
ShelterBox USA, Inc.
Lakewood Ranch, Florida**

We have audited the accompanying financial statements of ShelterBox USA, Inc. (a non-profit organization) which comprise the statement of financial position as of December 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 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 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, 2016, 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.

Prior Period Financial Statements

The financial statements of ShelterBox USA, Inc. as of December 31, 2015, were audited by other auditors whose report dated May 6, 2016, expressed an unmodified opinion on those statements.

Mauldin & Jenkins, LLC

Bradenton, Florida
May 17, 2017

SHELTERBOX USA, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash	\$ 2,135,154	\$ 2,228,596
Due from ShelterBox Trust	4,429	1,642
Pledges receivable	104,392	-
Prepaid expenses	16,443	6,264
Property and equipment, net	12,451	5,626
	<u>\$ 2,272,869</u>	<u>\$ 2,242,128</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 79,275	\$ 23,869
Deferred revenue	278,430	-
	<u>357,705</u>	<u>23,869</u>
NET ASSETS		
Unrestricted	815,333	1,620,216
Unrestricted - board designated	750,000	553,946
Unrestricted - board designated for future grants	95,437	44,097
Temporarily restricted	254,394	-
	<u>1,915,164</u>	<u>2,218,259</u>
	<u>\$ 2,272,869</u>	<u>\$ 2,242,128</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Unrestricted Support and Revenues		
Contributions	\$ 2,494,302	\$ 5,250,708
In-kind contributions	161,823	663
Interest income, net	265	(131)
Other income	3,309	-
Releases from restrictions	984,739	-
Total unrestricted support and revenue	3,644,438	5,251,240
Expenses		
Program services	3,432,303	3,821,413
Management and general	498,771	400,541
Fundraising	270,853	237,305
Total expenses	4,201,927	4,459,259
Change in unrestricted net assets	(557,489)	791,981
Temporarily Restricted Net Assets		
Contributions	1,239,133	-
Releases from restrictions	(984,739)	-
Change in temporarily restricted net assets	254,394	-
Change in net assets	(303,095)	791,981
Net assets, beginning of year	2,218,259	1,426,278
Net assets, end of year	\$ 1,915,164	\$ 2,218,259

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (303,095)	\$ 791,981
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,506	1,799
Changes in operating assets and liabilities		
(Increase) in due from ShelterBox Trust	(2,787)	(49)
(Increase) in pledges receivable	(104,392)	-
(Increase) decrease in prepaid expenses	(10,179)	10,241
Increase in accounts payable and accrued expenses	55,406	8,808
Increase in deferred revenue	278,430	-
Net cash provided by (used in) operating activities	<u>(84,111)</u>	<u>812,780</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(9,331)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(9,331)</u>	<u>-</u>
Change in cash	(93,442)	812,780
Cash, beginning of year	<u>2,228,596</u>	<u>1,415,816</u>
Cash, end of year	<u>\$ 2,135,154</u>	<u>\$ 2,228,596</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising	Total
Salaries, taxes and benefits	\$ 74,649	\$ 299,170	\$ 164,886	\$ 538,705
Program funds granted	3,096,235	-	-	3,096,235
Bank and payroll fees	-	30,607	514	31,121
Licenses and fees	-	-	9,380	9,380
Travel	16,991	39,357	4,861	61,209
Office expense	-	9,966	130	10,096
Computer software and hardware	22,843	3,346	17,778	43,967
Professional services	594	33,831	10,934	45,359
Rent	3,719	14,400	-	18,119
Marketing	175,123	5,685	35,169	215,977
Postage	5,868	7,870	20,383	34,121
Meetings and events	27,961	2,736	6,288	36,985
Utilities and telephone	-	18,334	-	18,334
Repairs and maintenance	-	2,234	-	2,234
Insurance	-	16,638	-	16,638
Training	3,800	9,803	496	14,099
Miscellaneous	4,520	2,288	34	6,842
Depreciation	-	2,506	-	2,506
Total expenses	<u>\$ 3,432,303</u>	<u>\$ 498,771</u>	<u>\$ 270,853</u>	<u>\$ 4,201,927</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries, taxes and benefits	\$ 45,611	\$ 160,267	\$ 112,017	\$ 317,895
Program funds granted	3,709,116	-	-	3,709,116
Bank and payroll fees	-	40,580	774	41,354
Licenses and fees	-	70	4,213	4,283
Travel	7,351	-	25,941	33,292
Office expense	-	17,071	-	17,071
Professional services	-	94,539	5,970	100,509
Rent	-	18,397	-	18,397
Marketing	16,908	3,016	26,190	46,114
Postage	11,450	21,046	20,902	53,398
Meetings and events	26,838	311	35	27,184
Utilities and telephone	15	18,534	-	18,549
Repairs and maintenance	-	1,792	-	1,792
Insurance	-	16,921	-	16,921
Training	2,421	277	7,238	9,936
Miscellaneous	1,703	5,921	34,025	41,649
Depreciation	-	1,799	-	1,799
Total expenses	<u>\$ 3,821,413</u>	<u>\$ 400,541</u>	<u>\$ 237,305</u>	<u>\$ 4,459,259</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ShelterBox USA, Inc. (the "Organization") 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.

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, net assets are reported in each of the following three classes:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets—Net assets subject to donor-imposed stipulations that require they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

Management 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 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 during the reporting period. Actual results could differ from those estimates.

Deferred Revenue

The Organization records amounts received as part of grants and other contracts before expended for services as deferred revenue on the statement of financial position. Once the services are provided under the grant or contract, the revenue is recognized on the statement of activities and changes in net assets. At December 31, 2016 and December 31, 2015, there were \$278,430 and \$-, respectively, which had not been expended.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less at the date of acquisition to be cash equivalents.

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. As of December 31, 2016, the Organization had \$1,474,183 in uninsured cash. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents and has not experienced any losses on such accounts.

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.

Property and Equipment

Property and equipment acquisitions in excess of \$500 are recorded at cost, estimated cost, or if donated, at fair value on the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

	<u>Years</u>
Computer and equipment	3

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized.

Functional Allocation of Expenses

The costs of providing various programs and other activities and the administration of the Organization have been summarized on a functional basis in the statements of activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Management and general expenses and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

The Organization 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. The Organization received service and material donations, which are included in the accompanying statements of activities as in-kind contributions in the amount of \$161,823 and \$663, respectively for the years ended December 31, 2016 and 2015.

Numerous volunteers have donated significant amount of time to the Organization's various programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

Income Taxes

The Organization is a not-for-profit organization exempt from federal income tax under provisions of Internal Revenue Code Section 501(c)(3). However, the Organization 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.

It is the Organization's policy to account for any uncertainties in income tax law in accordance with FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes*. ASC 740-10 clarifies the accounting for uncertain income tax positions and requires that the Organization recognize the impact of such a tax position in its financial statements if, upon ultimate settlement, that position is more likely than not to be sustained. Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. As a result, no provision or liability for income taxes has been included in the financial statements.

Subsequent Events

Management has evaluated subsequent events occurring through May 17, 2017, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROMISES TO GIVE

Unconditional promises to give consist of the following:

Amount due in	
Less than one year	\$ 51,000
One to five years	<u>55,000</u>
	106,000
Less allowance	-
Less discount	<u>(1,608)</u>
	<u><u>\$ 104,392</u></u>

Unconditional promises to give due in one to five years are discounted at 1.0%.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016:

	<u>2016</u>	<u>2015</u>
Computers and equipment	\$ 37,276	\$ 27,945
Less accumulated depreciation	<u>24,825</u>	<u>22,319</u>
	<u><u>\$ 12,451</u></u>	<u><u>\$ 5,626</u></u>

NOTE 4. EMPLOYEE BENEFIT PLAN

Effective January 1, 2010, the Organization 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. For the years ended December 31, 2016 and 2015, the employer match was \$6,785 and \$7,455, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RELATED PARTY TRANSACTIONS

The Organization has a relationship and affiliation with ShelterBox Trust (the "Trust"), a registered United Kingdom charity. Periodically, the Trust submits grant applications to the Organization. All grant applications are reviewed by the Finance and Audit Committee and in turn, the Board of Directors votes on the recommended grant requests. As required, the Trust provides financial and operational reports to confirm grant funds have been faithfully and fully utilized in accordance with the Organization's charitable purpose. Grant funds remitted to the Trust for the years ended December 31, 2016 and 2015, were \$3,096,235 and \$3,709,116, respectively, and are included in the accompanying statements of activities as program service expenses.

At December 31, 2016 and 2015, no grant funds were due to the Trust for unrestricted donations received by the Organization as described in the preceding paragraph.

From time to time, the Trust will reimburse the Organization and other affiliates for expenses incurred in relation to the global organization, usually travel costs. At December 31, 2016 and 2015, amounts due from the Trust were \$4,429 and \$1,642, respectively.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016, consist of the following:

Syrian refugee crisis	\$	112,502
Other programs and grants		<u>141,892</u>
	\$	<u><u>254,394</u></u>

Net assets released from purpose restrictions satisfied during the year ended December 31, 2016, were as follows:

Syrian refugee crisis	\$	<u><u>984,739</u></u>
-----------------------	----	-----------------------