

SHELTERBOX USA, INC.

FINANCIAL REPORT

DECEMBER 31, 2018

SHELTERBOX USA, INC.

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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 statements of financial position as of December 31, 2018 and 2017, 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 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 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Bradenton, Florida
April 15, 2019

SHELTERBOX USA, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
Cash	\$ 2,516,047	\$ 1,824,033
Pledges receivable, net	134,640	216,282
Prepaid expenses	12,623	17,209
Property and equipment, net	12,008	13,738
	\$ 2,675,318	\$ 2,071,262
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 110,668	\$ 75,697
Deferred revenue	225,025	50,424
	335,693	126,121
NET ASSETS		
Net assets without donor restrictions	1,324,043	816,235
Net assets without donor restrictions - board designated reserve	880,942	750,000
Total net assets without donor restrictions	2,204,985	1,566,235
Net assets with donor restrictions - time and purpose	134,640	378,906
	2,339,625	1,945,141
	\$ 2,675,318	\$ 2,071,262

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Support and Revenues without Donor Restrictions		
Contributions	\$ 4,274,284	\$ 3,405,445
In-kind contributions	135,756	46,892
Interest income, net	10,411	7,094
Other income	1,674	1,976
Releases from restrictions	1,998,537	1,941,800
Total support and revenue without donor restrictions	6,420,662	5,403,207
Expenses		
Program services	4,755,552	4,591,971
Management and general	500,329	499,723
Fundraising	526,031	406,048
Total expenses	5,781,912	5,497,742
Change in net assets without donor restrictions	638,750	(94,535)
Net Assets with Donor Restrictions		
Contributions	1,754,271	2,066,312
Releases from restrictions	(1,998,537)	(1,941,800)
Change in net assets with donor restrictions	(244,266)	124,512
Change in net assets	394,484	29,977
Net assets, beginning of year	1,945,141	1,915,164
Net assets, end of year	\$ 2,339,625	\$ 1,945,141

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 394,484	\$ 29,977
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,935	6,889
Changes in operating assets and liabilities		
Decrease in due from ShelterBox Trust	-	4,429
(Increase) decrease in pledges receivable	81,642	(111,890)
(Increase) decrease in prepaid expenses	4,586	(766)
Increase (decrease) in accounts payable and accrued expenses	34,971	(3,578)
Increase (decrease) in deferred revenue	174,601	(228,006)
Net cash provided by (used in) operating activities	<u>698,219</u>	<u>(302,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(6,205)</u>	<u>(8,176)</u>
Net cash (used in) investing activities	<u>(6,205)</u>	<u>(8,176)</u>
Change in cash	692,014	(311,121)
Cash, beginning of year	<u>1,824,033</u>	<u>2,135,154</u>
Cash, end of year	<u>\$ 2,516,047</u>	<u>\$ 1,824,033</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries, taxes and benefits	\$ 410,209	\$ 282,955	\$ 241,994	\$ 935,158
Program funds granted	4,194,788	-	-	4,194,788
Bank and payroll fees	113	40,414	-	40,527
Travel	30,609	6,849	24,147	61,605
Office expense	392	7,426	1,073	8,891
Computer software and hardware	22,196	1,573	29,148	52,917
Professional services	5,000	45,000	-	50,000
Rent	5,700	22,877	57,960	86,537
Marketing	29,003	550	2,582	32,135
Postage	8,999	1,357	997	11,353
Meetings and events	37,400	23,305	8,672	69,377
Donor cultivation	4,037	562	157,191	161,790
Utilities and telephone	1,274	20,374	1,703	23,351
Insurance	402	13,641	-	14,043
Training	5,034	21,753	328	27,115
Miscellaneous	393	3,761	236	4,390
Depreciation	3	7,932	-	7,935
Total expenses	<u>\$ 4,755,552</u>	<u>\$ 500,329</u>	<u>\$ 526,031</u>	<u>\$ 5,781,912</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries, taxes and benefits	\$ 390,332	\$ 281,414	\$ 259,992	\$ 931,738
Program funds granted	3,958,159	-	-	3,958,159
Bank and payroll fees	-	46,889	-	46,889
Travel	45,781	1,571	28,963	76,315
Office expense	1,533	8,235	2,548	12,316
Computer software and hardware	9,735	18,983	19,702	48,420
Professional services	8,593	40,911	-	49,504
Rent	26,006	27,267	-	53,273
Marketing	63,173	1,036	41,239	105,448
Postage	12,813	7,880	8,158	28,851
Meetings and events	57,640	18,586	-	76,226
Donor cultivation	7,455	-	44,823	52,278
Utilities and telephone	-	22,250	-	22,250
Insurance	-	10,185	-	10,185
Training	2,635	1,273	623	4,531
Miscellaneous	8,116	6,354	-	14,470
Depreciation	-	6,889	-	6,889
Total expenses	<u>\$ 4,591,971</u>	<u>\$ 499,723</u>	<u>\$ 406,048</u>	<u>\$ 5,497,742</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 two classes:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions—Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met either by actions of the Organization and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, 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.

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. At December 31, 2018 and 2017, there was \$225,025 and \$50,424, 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, 2018, the Organization had \$1,917,636 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 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 support with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions 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>
Computers 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 \$135,756 and \$46,892, respectively, for the years ended December 31, 2018 and 2017.

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.

Board Designated Net Assets

The Organization's Board of Directors has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. The operating reserve balanced totaled \$880,942 and \$750,000 at December 31, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS

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

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Subsequent Events

Management has evaluated subsequent events occurring through April 15, 2019, the date on which the financial statements were available to be issued.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Organization's working capital and cash flows have variations during the year attributable to the timing of disasters and conflicts throughout the world. The Organization manages liquidity during the year by utilizing the following strategies: operating with a balanced budget which assumes collection of sufficient revenue via contributions and grants to cover operating expenditures not covered by donor-restricted resources, regular analysis of actual operating results versus budget, and the holding of a Board established operating reserve fund funded by net prior year donations without donor restrictions.

The following table reflects the Organization's total financial assets as of December 31, 2018, and the amounts of those financial assets which could be made available within 12 months to meet operating expenditures:

Financial assets available to meet operating expenditures over the next 12 months:	
Cash and equivalents	\$ 2,516,047
Contributions for operating expenditures due in one year or less	102,240
Less board designated reserve	(880,942)
Financial assets available to meet operating expenditures	<u>\$ 1,737,345</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2018	2017
Amount due in		
Less than one year	\$ 102,240	\$ 112,665
One to five years	39,960	115,000
	142,200	227,665
Less allowance	(6,753)	(9,078)
Less discount	(807)	(2,305)
	\$ 134,640	\$ 216,282

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

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018:

	2018	2017
Computers and equipment	\$ 51,654	\$ 45,452
Less accumulated depreciation	39,646	31,714
	\$ 12,008	\$ 13,738

NOTE 5. 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, 2018 and 2017, the employer match was \$18,539 and \$25,014, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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, 2018 and 2017, were \$4,154,808 and \$3,708,159, respectively, and are included in the accompanying statements of activities as program service expenses.

At December 31, 2018 and 2017, \$31,209 and \$-, respectively, in grant funds were due to the Trust for donations without donor restrictions received by the Organization as described in the preceding paragraph and are included with accounts payable and accrued expenses on the accompanying statement of financial position.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Syrian refugee crisis	\$ -	\$ 41,814
Other programs and grants	134,640	337,092
	<u>\$ 134,640</u>	<u>\$ 378,906</u>

Net assets released from purpose restrictions satisfied during the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Syrian refugee crisis	\$ 1,117,510	\$ 554,147
Natural disasters	630,386	1,352,878
Other programs and grants	250,641	34,775
	<u>\$ 1,998,537</u>	<u>\$ 1,941,800</u>