

SHELTERBOX USA, INC.

FINANCIAL REPORT

DECEMBER 31, 2019

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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.....	8-14



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, 2019 and 2018, 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, 2019 and 2018, 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
March 25, 2020

SHELTERBOX USA, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
Cash	\$ 3,889,851	\$ 2,516,047
Pledges receivable, net	33,869	134,640
Other receivables	1,194	-
Prepaid expenses	77,006	12,623
Property and equipment, net	8,345	12,008
	<u>\$ 4,010,265</u>	<u>\$ 2,675,318</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,554,492	\$ 110,668
Deferred revenue	-	225,025
	<u>1,554,492</u>	<u>335,693</u>
NET ASSETS		
Net assets without donor restrictions	1,290,863	1,324,043
Net assets without donor restrictions - board designated reserve	1,064,910	880,942
Total net assets without donor restrictions	2,355,773	2,204,985
Net assets with donor restrictions - time and purpose	100,000	134,640
	<u>2,455,773</u>	<u>2,339,625</u>
	<u>\$ 4,010,265</u>	<u>\$ 2,675,318</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Support and Revenues without Donor Restrictions		
Contributions	\$ 5,321,085	\$ 4,274,284
In-kind contributions	109,866	135,756
Interest income, net	11,520	10,411
Other income	13,487	1,674
Releases from restrictions	3,196,160	1,998,537
Total support and revenue without donor restrictions	<u>8,652,118</u>	<u>6,420,662</u>
Expenses		
Program services	6,894,100	4,755,552
Management and general	801,609	500,329
Fundraising	805,621	526,031
Total expenses	<u>8,501,330</u>	<u>5,781,912</u>
Change in net assets without donor restrictions	150,788	638,750
Net Assets with Donor Restrictions		
Contributions	3,161,520	1,754,271
Releases from restrictions	<u>(3,196,160)</u>	<u>(1,998,537)</u>
Change in net assets with donor restrictions	(34,640)	(244,266)
Change in net assets	116,148	394,484
Net assets, beginning of year	<u>2,339,625</u>	<u>1,945,141</u>
Net assets, end of year	<u>\$ 2,455,773</u>	<u>\$ 2,339,625</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 116,148	\$ 394,484
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,152	7,935
Changes in operating assets and liabilities		
Decrease in pledges receivable	100,771	81,642
(Increase) in other receivables	(1,194)	-
(Increase) decrease in prepaid expenses	(64,383)	4,586
Increase in accounts payable and accrued expenses	1,443,824	34,971
Increase (decrease) in deferred revenue	(225,025)	174,601
Net cash provided by operating activities	<u>1,378,293</u>	<u>698,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,489)</u>	<u>(6,205)</u>
Net cash (used in) investing activities	<u>(4,489)</u>	<u>(6,205)</u>
Change in cash	1,373,804	692,014
Cash, beginning of year	<u>2,516,047</u>	<u>1,824,033</u>
Cash, end of year	<u>\$ 3,889,851</u>	<u>\$ 2,516,047</u>

See Notes to Financial Statements.

SHELTERBOX USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries, taxes and benefits	\$ 413,175	\$ 569,247	\$ 406,792	\$ 1,389,214
Program funds granted	6,341,168	-	-	6,341,168
Bank and payroll fees	-	2,126	21,208	23,334
Travel	37,363	37,395	56,419	131,177
Office expense	20,138	13,590	105,886	139,614
Computer software and hardware	3,357	13,797	18,907	36,061
Professional services	504	31,290	61,838	93,632
Rent	25,162	52,460	35,949	113,571
Marketing	-	6,071	17,312	23,383
Postage	13,380	100	7,509	20,989
Meetings and events	29,314	29,339	44,265	102,918
Donor cultivation	-	-	17,858	17,858
Utilities and telephone	3,258	14,503	4,693	22,454
Insurance	-	15,139	-	15,139
Training	4,990	2,334	1,510	8,834
Miscellaneous	2,291	6,066	5,475	13,832
Depreciation	-	8,152	-	8,152
Total expenses	<u>\$ 6,894,100</u>	<u>\$ 801,609</u>	<u>\$ 805,621</u>	<u>\$ 8,501,330</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.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, there was \$- and \$225,025, 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, 2019, the Organization had \$3,209,715 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.

Revenue Recognition

The Organization recognizes revenue from exchange transactions as the services are provided to the customer.

Contributions are recorded as revenue when an unconditional promise to give has been made. 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.

NOTES TO FINANCIAL STATEMENTS

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

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.

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 \$109,866 and \$135,756, respectively, for the years ended December 31, 2019 and 2018.

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.

NOTES TO FINANCIAL STATEMENTS

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

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 \$1,064,910 and \$880,942 at December 31, 2019 and 2018, respectively.

Recently Issued and Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. This ASU's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or contributions.

The Organization adopted the new guidance in ASU No. 2014-09 and ASU No. 2018-08 as of January 1, 2019.

Subsequent Events

Management has evaluated subsequent events occurring through March 25, 2020, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

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, 2019, 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	\$ 3,889,851
Contributions for operating expenditures due in one year or less	28,429
Other receivables	1,194
Less net assets with donor restrictions	(100,000)
Less board designated reserve	(1,064,910)
Financial assets available to meet operating expenditures	\$ 2,754,564

NOTE 3. PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2019	2018
Amount due in		
Less than one year	\$ 28,429	\$ 102,240
One to five years	13,000	39,960
	41,429	142,200
Less allowance	(7,418)	(6,753)
Less discount	(142)	(807)
	\$ 33,869	\$ 134,640

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Computers and equipment	\$ 56,144	\$ 51,654
Less accumulated depreciation	47,799	39,646
	<u>\$ 8,345</u>	<u>\$ 12,008</u>

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, 2019 and 2018, the employer match was \$34,568 and \$18,539, respectively.

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, 2019 and 2018, were \$6,341,168 and \$4,194,788, respectively, and are included in the accompanying statements of activities as program service expenses.

At December 31, 2019 and 2018, \$1,372,377 and \$31,209, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Other programs and grants	<u>\$ 100,000</u>	<u>\$ 134,640</u>

Net assets released from purpose restrictions satisfied during the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Disaster relief	<u>\$ 3,061,520</u>	<u>\$ 1,117,510</u>
Natural disasters	<u>134,640</u>	<u>630,386</u>
Other programs and grants	<u>-</u>	<u>250,641</u>
	<u>\$ 3,196,160</u>	<u>\$ 1,998,537</u>