SHATTERPROOF, A NONPROFIT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(with summarized comparative financial information as of and for the year ended December 31, 2016)

SHATTERPROOF, A NONPROFIT CORPORATION
YEAR ENDED DECEMBER 31, 2017
(with summarized comparative financial information as of and for the year ended December 31, 2016)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shatterproof, A Nonprofit Corporation

We have audited the accompanying financial statements of Shatterproof, A Nonprofit Corporation ("Shatterproof"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows 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 Shatterproof, A Nonprofit Corporation as of December 31, 2017, 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.

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Report on Summarized Comparative Information

We have previously audited Shatterproof's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

White Plains, New York
March 30, 2018

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(with comparative financial information as of December 31, 2016)

	2017	2016
Assets:		
Cash and cash equivalents	$ 1,243,053	$ 1,471,698
Short-term investments	475,458	-
Contributions and pledges receivable, net	1,122,085	797,600
Prepaid expenses and other current assets	261,330	141,475
Property and equipment, net	566,710	568,750
Intangible asset	258,386	258,386
Other assets	59,025	94,999
TOTAL ASSETS	$ 3,986,047	$ 3,332,908
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 288,644	$ 131,510
Deferred revenue	107,975	161,640
Total liabilities	396,619	293,150
Net assets:		
Unrestricted	2,648,513	2,325,997
Temporarily restricted	940,915	713,761
Total net assets	3,589,428	3,039,758
TOTAL LIABILITIES AND NET ASSETS	$ 3,986,047	$ 3,332,908

See accompanying notes to financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017
(with summarized comparative totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Public support and revenue:				
Contributions	$ 1,852,968	$ 600,000	$2,452,968	$ 2,460,962
Contributed services, media time and space	2,444,448	-	2,444,448	2,027,902
Event contributions, sponsorships and fees	4,301,411	-	4,301,411	2,621,141
Less: direct benefit to donors and sponsors	(321,122)	-	(321,122)	(124,278)
Other income	7,323	-	7,323	10,992
Net assets released from restrictions	372,846	(372,846)	-	-
Total public support and revenue	8,657,874	227,154	8,885,028	6,996,719
Expenses:				
Program services:				
Education and awareness	5,400,826	-	5,400,826	4,568,463
Public policy	1,084,844	-	1,084,844	727,190
Total program services	6,485,670	-	6,485,670	5,295,653
Support services:				
Fundraising	1,058,958	-	1,058,958	661,268
General and administrative	790,730	-	790,730	624,449
Total support services	1,849,688	-	1,849,688	1,285,717
Total expenses	8,335,358	-	8,335,358	6,581,370
Changes in net assets	322,516	227,154	549,670	415,349
Net assets - beginning of year	2,325,997	713,761	3,039,758	2,624,409
NET ASSETS - END OF YEAR	$ 2,648,513	$ 940,915	$3,589,428	$ 3,039,758

See accompanying notes to financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative financial information for the year ended December 31, 2016)

	Program Services			Support Services		Total Expenses	
	Education and Awareness	Public Policy	Total Program Expenses	Fundraising	General and Administrative	2017	2016
Advertising and donated media	$ 2,482,367	$ 52,409	$ 2,534,776	$ 52,410	$ -	$ 2,587,186	$ 1,949,293
Salaries and employee benefits	1,074,369	255,777	1,330,146	277,897	115,565	1,723,608	1,329,974
Event costs	652,235	115,834	768,069	405,420	-	1,173,489	677,749
Technology and communications	449,744	188,945	638,689	105,295	53,814	797,798	678,914
Legal and accounting fees	14,929	-	14,929	-	448,752	463,681	293,224
Consulting and outside services	144,559	316,895	461,454	1,088	-	462,542	628,119
Conferences, meetings and travel	244,897	76,595	321,492	40,708	5,504	367,704	288,613
Depreciation and amortization	218,208	41,754	259,962	27,836	13,559	301,357	203,389
Occupancy expenses	89,495	34,315	123,810	17,132	38,049	178,991	125,513
Credit card fees	-	-	-	122,057	-	122,057	147,927
Office expenses	-	-	-	-	56,667	56,667	117,371
Printing and postage	22,535	1,059	23,594	8,015	4,861	36,470	40,058
Supplies	5,286	895	6,181	-	15,234	21,415	55,321
Insurance	2,202	366	2,568	1,100	13,425	17,093	24,005
Bad debt	-	-	-	-	25,300	25,300	21,900
TOTAL	$ 5,400,826	$ 1,084,844	$ 6,485,670	$ 1,058,958	$ 790,730	$ 8,335,358	$ 6,581,370

See accompanying notes to financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative financial information for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Changes in net assets	$ 549,670	$ 415,349
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	301,357	203,389
Change in discount to present value pledges receivable	(16,654)	(11,123)
Unrealized loss on short-term investments	495	-
Changes in assets and liabilities:		
Contributions and pledges receivable	(307,831)	106,292
Deferred revenue	(53,665)	151,359
Prepaid expenses and other current assets	(119,855)	(57,484)
Other assets	26,537	(41,239)
Accounts payable and accrued expenses	157,134	(17,526)
Net cash provided by operating activities	537,188	749,017
Cash flows from investing activities:		
Purchases of property and equipment	(289,880)	(408,833)
Purchase of marketable securities	(875,953)	-
Proceeds from sales of marketable securities	400,000	-
Net cash used in investing activities	(765,833)	(408,833)
Net increase (decrease) in cash and cash equivalents	(228,645)	340,184
Cash and cash equivalents - beginning	1,471,698	1,131,514
CASH AND CASH EQUIVALENTS - ENDING	$ 1,243,053	$ 1,471,698

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION

Shatterproof, A Nonprofit Corporation (the "Organization" or "Shatterproof") is a nonprofit corporation organized on February 21, 2012, under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 4 of Chapter 180 of the Massachusetts General Laws, as amended. Shatterproof is a national organization dedicated to ending the devastation that addiction causes families. Shatterproof will accomplish its mission by educating, empowering and equipping parents, families, educators, health care providers, legislators, and others to address addiction head on.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("GAAP") for not-for-profit organizations.

The financial statement presentation follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*. Under FASB ASC 958, Shatterproof is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified into the following three classes of net assets:

- *Unrestricted net assets* - Represents net assets that are not subject to donor-imposed restrictions. Unrestricted net assets are available to support the operating activities of Shatterproof.
- *Temporarily restricted net assets* - Represents net assets that are 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 and changes in net assets as "Net assets released from restrictions." Contributions received with donor-imposed restrictions that are met in the same year as the contributions are received are reported as unrestricted revenues.
- *Permanently restricted net assets* - Net assets that are subject to donor-imposed stipulations that require that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At December 31, 2017 and 2016, Shatterproof did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Short-term Investments

The Organization's short-term investments consist principally of mutual funds available for operations. Investments are carried at fair value with the related gains and losses reported in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets. Purchases and sales of marketable securities are reflected on a trade-date basis. Dividend income is recorded on the ex-dividend date; interest income is recorded on the accrual basis.

Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. As of December 31, 2017 and 2016, contributions to temporarily restricted net assets related to unconditional promises to give in future years and will be released as the time restrictions expire.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The pledged contributions are reflected at the present value of the estimated future cash flows using risk free interest rates applicable to the years in which the receivables are expected to be collected (approximately 1.7% - 3.0% at December 31, 2017). The discount on unconditional promises to give was approximately $47,000 and $63,000 as of December 31, 2017 and 2016, respectively.

Shatterproof evaluates the collectibility of contributions and pledges receivable based on the length of time the receivable is outstanding, historical experience, and an assessment of business and economic conditions. The receivables are charged to the allowance for uncollectible accounts when they are deemed uncollectible. Based on Shatterproof's evaluation, an allowance for uncollectible contributions and pledges receivable was not considered necessary at December 31, 2017 or 2016.

Contributed Services, Media Time and Space

For the year ended December 31, 2017, contributed services consisted of (i) $2,132,711 (2016: $1,846,637) related to local television, radio and newspaper reporting, primarily to cover the Shatterproof Challenge and other events to raise awareness and educate the public about the disease of addiction and Shatterproof's mission; and (ii) donated legal services totaling $298,587 (2016: $168,461). Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. Contributed services are reported in the accompanying financial statements at the fair value of the services received.

Volunteers also provided administrative services throughout the year, and Shatterproof's officers provided services to daily operations and management without compensation. Such contributed services do not meet the criteria for recognition of contributed services contained in GAAP and, accordingly, are not reflected in the accompanying financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services, Media Time and Space (Continued)

In addition, Shatterproof occupies office space in Norwalk, Connecticut, which was donated by an entity related to the Organization through common management. The fair value of the donated space included as a contribution (and corresponding rent expense) in the financial statements totaled $13,150 and $12,804 for the years ended December 31, 2017 and 2016, respectively.

Contributed goods are reported as contributions in the accompanying financial statements at their estimated fair values on the date of receipt, and relate primarily to donated auction items for events.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Property and equipment include website development costs. Website development costs included in property and equipment are capitalized in accordance with FASB ASC 350-50, *Website Development Costs*. Under FASB ASC 350-50, costs incurred during the planning stage are expensed, while costs relating to software used to operate a website or for developing initial graphics are capitalized. Website development costs are amortized using the straight-line method over an estimated life of three years.

Intangible Asset

The intangible asset consists of the Shatterproof trade name. The trade name has an indefinite life, and therefore is not amortized, but will be reviewed for impairment annually or more frequently if indicators of impairment arise.

Deferred Revenue

Registration fees and sponsorship contributions received for events to be held in a subsequent period are recognized as deferred revenue. These fees and contributions are recorded as unrestricted revenues in the period in which the event is held.

Advertising

Advertising and media expenses have been charged to expense as incurred. Such expenses consist primarily of donated media and advertising services provided as part of Shatterproof's educational and awareness program.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the IRC. In accordance with FASB ASC 740, *Income Taxes*, the Organization has applied the "more likely than not" threshold to the recognition and derecognition of tax positions for its 2017 and 2016 financial statements. Using that guidance, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of December 31, 2017 or 2016.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Accordingly, certain costs have been consistently allocated among the programs and supporting services in reasonable ratios determined by management.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14")*, which amends the standards for the presentation and accompanying disclosures of finacial statements of nonprofit organizations. The ASU is effective years beginning after December 15, 2017, and will be applied on a retrospective basis. After adoption of ASU 2016-14, Shatterproof's financial statements will report two classes of net assets, distinguishing between net assets with donor restrictions and those without donor restrictions. The financial statements will also include an analysis of expenses by function and nature, and provide enhanced disclosures about Shatterproof's liquidity and availability of its resources, and donor restrictions and designations of its net assets. Shatterproof is evaluating the effect that ASU 2016-14 will have on its financial statements and related disclosures.

NOTE 3. CONCENTRATION OF RISK

Financial instruments that potentially subject Shatterproof to concentrations of credit risk consist of cash and contributions receivable (including unconditional promises to give). Shatterproof has cash deposits at a financial institution in excess of the federal insurance limits; however, management does not believe there is any significant risk of loss on any uninsured amounts.

Contributions from the founder and Chief Executive Officer ("CEO") of Shatterproof accounted for 2% and 32% of total contributions as of December 31, 2017 and 2016, respectively. There were no contributions receivable from the founder and CEO as of December 31, 2017 and 2016, respectively.

In addition, three other donors accounted for approximately 25% and 40% of contributions receivable at December 31, 2017 and 2016, respectively.

NOTE 4. PROMISES TO GIVE

Contributions and pledges receivable include the following unconditional promises to give at December 31, 2017 and 2016:

	2017	2016
Received in less than one year	$ 502,870	$ 162,870
Received in one year to five years	321,480	406,980
Received in more than five years	163,218	207,218
Total unconditional promises to give	987,568	777,068
Less: discounts to net present value	(46,653)	(63,307)
Unconditional promises to give, net	$ 940,915	$ 713,761

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017 and 2016:

	2017	2016
Furniture and fixtures	$ 72,657	$ 42,998
Website costs	1,247,956	987,734
	1,320,613	1,030,732
Less: accumulated depreciation and amortization	(753,903)	(461,982)
Property and equipment, net	$ 566,710	$ 568,750

Depreciation and amortization expense was $301,357 and $203,389 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2017, the Organization's short-term investments consist of a mutual fund that is a conservative ultra-short income fund offering a strategy that seeks to deliver current income while maintaining a focus on preserving capital and liquidity. The short-term investments are classified as trading securities and are carried at fair value based on the quoted market prices at December 31, 2017. Net realized and unrealized gains and losses on trading securities are included in changes in net assets. For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

FASB ASC 820, *Fair Value Measurement* ("FASB ASC 820"), defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. As of December 31, 2017, the Organization's financial assets recorded at fair value on a recurring basis include investments in marketable securities.

The Organization utilizes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach that relate to its financial assets and financial liabilities). The levels of the hierarchy are described as follows:

> *Level 1:* Observable inputs such as quoted prices in active markets for identical assets or liabilities.
>
> *Level 2:* Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
>
> *Level 3*: Unobservable inputs that reflect the Organization's own assumptions.

The following tables summarizes the Organization's assets measured at fair value on a recurring basis as of December 31, 2017:

	Fair Value Measurements at December 31, 2017			
Description	Level 1:	Level 2:	Level 3:	Total
Mutual Fund	$ 475,458	$ -	$ -	$ 475,458
Total	$ 475,458	$ -	$ -	$ 475,458

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

During the year ended December 31, 2017, there were no transfers between levels of the fair value hierarchy. Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds - Mutual funds are valued at the net asset value (NAV) reported in the active market where the fund is traded on a daily basis.

The methods used to determine fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while management believes the valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Financial instruments involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the statement of financial position. For the Organization, market risk represents the potential loss due to the decrease in the value of financial instruments; credit risk represents the maximum potential loss due to possible nonperformance of contract terms by obligors and counterparties.

NOTE 7. ACTIVITIES WITH JOINT COSTS

Shatterproof conducts joint activities (activities benefiting both program and support services) that include fundraising. These activities relate primarily to special events. Shatterproof incurs joint costs to educate the public and expand society's awareness of those suffering from the disease of addiction and perform activities that includes fundraising appeals.

The cost of conducting these activities was allocated as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Education and awareness	$ 2,742,292	$ 2,095,910
Public policy	137,161	56,328
Fundraising	426,747	258,839
	$ 3,306,200	$ 2,411,077

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets consist of pledges receivable in the amount of $940,915 and $713,761, respectively, that are time restricted.

NOTE 9. RETIREMENT PLAN

Shatterproof has a defined contribution retirement plan (the "Plan"), which allows eligible participants to defer contributions, on a pre-tax basis, up to statutory limits. The Organization contributes a percentage of the annual salary of participating employees. For the year ended December 31, 2017, the matching contribution was equal to 100% of the employees' deferred contributions, provided that deferred contributions do not exceed 4% of gross wages. The total matching contributions to the Plan were $29,098 and $26,369 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10. SUBSEQUENT EVENTS

Shatterproof has evaluated subsequent events through March 30, 2018, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.