

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

**SHATTERPROOF, A NONPROFIT CORPORATION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**CITRIN COOPERMAN**

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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, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets 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, 2013, 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.

## Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule on page 11 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Citrin Cooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

White Plains, New York  
August 29, 2014

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

Cash	\$ 495,926
Pledges receivable, net	757,633
Prepaid expenses	266,833
Property and equipment, net	176,539
Intangible asset	<u>258,386</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,955,317</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ <u>739,661</u>
Net assets:	
Unrestricted	718,023
Temporarily restricted	<u>497,633</u>
Total net assets	<u>1,215,656</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,955,317</u></b>

See accompanying notes to financial statements.

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 2,492,129	\$ 497,633	\$ 2,989,762
Contributed goods and services	186,145	-	186,145
Special events	90,680	-	90,680
Other income	<u>615</u>	<u>-</u>	<u>615</u>
Total revenues and support	<u>2,769,569</u>	<u>497,633</u>	<u>3,267,202</u>
Expenses:			
Program services:			
Education	638,981	-	638,981
Advocacy	161,832	-	161,832
Community support	177,641	-	177,641
Research	<u>84,634</u>	<u>-</u>	<u>84,634</u>
Total program services	<u>1,063,088</u>	<u>-</u>	<u>1,063,088</u>
Supporting services:			
Fundraising	512,847	-	512,847
General and administrative	<u>581,667</u>	<u>-</u>	<u>581,667</u>
Total supporting services	<u>1,094,514</u>	<u>-</u>	<u>1,094,514</u>
Total expenses	<u>2,157,602</u>	<u>-</u>	<u>2,157,602</u>
Increase in net assets	611,967	497,633	1,109,600
Net assets - beginning	<u>106,056</u>	<u>-</u>	<u>106,056</u>
NET ASSETS - ENDING	<u>\$ 718,023</u>	<u>\$ 497,633</u>	<u>\$ 1,215,656</u>

See accompanying notes to financial statements.

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating activities:	
Change in net assets	\$ 1,109,600
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	35,308
Changes in assets and liabilities:	
Pledges receivable, net	(757,633)
Prepaid expenses	(266,833)
Accounts payable and accrued expenses	<u>724,783</u>
Net cash provided by operating activities	<u>845,225</u>
Investing activities:	
Purchase of office equipment	(6,847)
Website development costs	(205,000)
Direct costs of developing tradename	<u>(258,386)</u>
Net cash used in investing activities	<u>(470,233)</u>
Net increase in cash	374,992
Cash - beginning	<u>120,934</u>
CASH - ENDING	<u>\$ 495,926</u>

See accompanying notes to financial statements.

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 1. ORGANIZATION**

Shatterproof, A Nonprofit Corporation (the "Organization" or "Shatterproof") (formerly known as Brian's Wish, A Nonprofit Corporation) 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.

The Organization's mission is aimed at protecting children and young adults from addiction to alcohol or other drugs and ending the stigma and suffering of those affected by this disease by educating, empowering and equipping parents, families, educators, health care providers, legislators, and others to address addiction head on. The Organization developed the following strategic pillars by which it intends to accomplish its mission:

- (i) *Unite and Empower* - All Americans to call for equitable addiction research funding, policies, programs and support;
- (ii) *End the Stigma* - Educate the public so society will view those suffering from addiction with compassion and offer support;
- (iii) *Advocate for Change* - Including public policies that better address this profound public health crisis; and
- (iv) *Research and Innovate* - In the areas of addiction research and evidence-based prevention, treatment and long-term recovery programs.

During 2013, while the Organization commenced certain activities relating to its aforementioned mission, a substantial portion activities were directed at (i) organizational and administrative set up; (ii) consulting, planning, and research geared toward the development of the programs that will be supported by Shatterproof; and (iii) messaging research.

**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. Under these provisions, the Organization distinguishes between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Accordingly, net assets and changes therein are presented as follows:

- *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 the Organization.
- *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.



**SHATTERPROOF, A NONPROFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

- *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, 2013, Shatterproof did not have any permanently restricted net assets.

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.

Promises to Give

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 3% at December 31, 2013). The discount as of December 31, 2013 was \$66,367.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Property and equipment includes website development costs totaling \$205,000 at December 31, 2013. Website development costs included in property and equipment are capitalized in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 should be capitalized. Website development costs are amortized using the straight-line method over an estimated life of three years.

Intangible Asset

During 2013, the Organization capitalized \$258,386 of direct costs associated with creating the Shatterproof tradename. Capitalized costs include legal fees, design costs, and other direct consulting fees. The tradename has an indefinite life, and therefore is not amortized, but will be reviewed for impairment annually or more frequently if indicators of impairment arise.

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions

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, 2013, contributions to temporarily restricted net assets relate to unconditional promises to give in future years and will be released as the time restrictions expire.

Contributed Goods and Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The fair value of donated services included as contributions (and corresponding expense) in the financial statements for the year ended December 31, 2013, totaled \$163,008, all of which related to legal services provided.

Shatterproof occupies approximately 1,052 square feet of donated office space in Norwalk, Connecticut. The office space 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 \$23,137 for the year ended December 31, 2013.

Volunteers also provided administrative services throughout the year, and the Organization's officers provided services to the 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.

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 2013 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, 2013.

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. Accordingly, certain costs have been consistently allocated among the programs and supporting services in reasonable ratios determined by management.

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through August 29, 2014, 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.

**NOTE 3. CONCENTRATION OF RISK**

The Organization places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with a high quality financial institution.

Contributions and contributions receivable from the founder and CEO of Shatterproof accounted for 55% and 30%, respectively, of total contributions and contributions receivable as of and for the year ended December 31, 2013. In addition, two other donors, one of whom is a sibling of the CEO, together accounted for 22% and 61% of contributions and contributions receivable, respectively, as of and for the year ended December 31, 2013.

**NOTE 4. PROMISES TO GIVE**

Unconditional promises to give at December 31, 2013 are as follows:

Received in less than one year	\$ 320,000
Received in one year to five years	304,000
Received in more than five years	<u>200,000</u>
Total unconditional promises to give	824,000
Less: discounts to net present value	<u>(66,367)</u>
Unconditional promises to give, net	<u>\$ 757,633</u>

Promises to give receivable in more than one year have been discounted at 3.04%. Uncollectible promises are expected to be insignificant.

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2013:

Furniture and fixtures	\$ 6,847
Website development	<u>205,000</u>
	211,847
Less: accumulated depreciation and amortization	<u>(35,308)</u>
	<u>\$ 176,539</u>

Depreciation and amortization expense for the year ended December 31, 2013 was \$35,308.

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 6. RETIREMENT PLAN**

The Organization 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, 2013, 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 \$10,964 for the year ended December 31, 2013.

**SUPPLEMENTARY INFORMATION**

**SHATTERPROOF, A NONPROFIT CORPORATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	PROGRAM SERVICES				TOTAL PROGRAM EXPENSES	SUPPORT SERVICES		
	EDUCATION	ADVOCACY	COMMUNITY SUPPORT	RESEARCH		FUNDRAISING	GENERAL AND ADMIN- ISTRATIVE	TOTAL EXPENSES
Payroll expense	\$ 80,886	\$ 29,633	\$ 30,618	\$ -	\$ 141,137	\$ 158,535	\$ 68,630	\$ 368,302
Public relations and advocacy	180,305	90,949	12,500	-	283,754	-	32,738	316,492
Messaging research	-	-	-	-	-	-	300,155	300,155
Other professional fees	73,615	275	7,275	-	81,165	172,062	25,034	278,261
Website expense	71,767	11,961	95,690	11,961	191,379	47,845	-	239,224
Conferences, meetings and travel	106,502	7,376	6,737	-	120,615	41,794	15,737	178,146
Legal fees	20,731	996	7,966	30,507	60,200	18,739	65,484	144,423
Payroll taxes and benefits	13,107	4,801	4,961	-	22,869	25,688	11,121	59,678
Educational events - direct costs	57,944	-	-	-	57,944	-	-	57,944
Special event - direct costs	20,260	-	-	-	20,260	31,812	-	52,072
Program research	-	-	-	38,000	38,000	-	-	38,000
Depreciation and amortization	10,592	3,531	10,592	3,531	28,246	7,062	-	35,308
Occupancy expenses	-	-	-	-	-	-	23,754	23,754
Dues and subscriptions	-	11,667	-	310	11,977	-	5,649	17,626
Accounting fees	-	-	-	-	-	-	15,080	15,080
Office expense	866	318	328	-	1,512	1,701	8,106	11,319
Bank and credit card fees	-	-	-	-	-	5,528	1,904	7,432
Printing and postage	1,432	-	-	-	1,432	1,432	3,612	6,476
Communications	974	325	974	325	2,598	649	2,547	5,794
State filing fees	-	-	-	-	-	-	2,116	2,116
<b>TOTAL</b>	<b><u>\$ 638,981</u></b>	<b><u>\$ 161,832</u></b>	<b><u>\$ 177,641</u></b>	<b><u>\$ 84,634</u></b>	<b><u>\$ 1,063,088</u></b>	<b><u>\$ 512,847</u></b>	<b><u>\$ 581,667</u></b>	<b><u>\$ 2,157,602</u></b>

See independent auditor's report.