

SHATTERPROOF, A NONPROFIT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

**(with summarized comparative financial information
as of and for the year ended December 31, 2015)**

SHATTERPROOF, A NONPROFIT CORPORATION
YEAR ENDED DECEMBER 31, 2016
(with summarized comparative financial information
as of and for the year ended December 31, 2015)

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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, 2016, 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, 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.



Report on Summarized Comparative Information

We have previously audited the Shatterproof 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 31, 2017

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(with comparative financial information as of December 31, 2015)

	2016	2015
Assets:		
Cash and cash equivalents	\$ 1,471,698	\$ 1,131,514
Contributions and pledges receivable, net	797,600	892,769
Prepaid expenses	141,475	83,991
Property and equipment, net	568,750	347,129
Intangible asset	258,386	258,386
Other assets	94,999	69,938
TOTAL ASSETS	\$ 3,332,908	\$ 2,783,727
 Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 131,510	\$ 149,037
Deferred revenue	161,640	10,281
Total liabilities	293,150	159,318
Net assets:		
Unrestricted	2,325,997	1,772,352
Temporarily restricted	713,761	852,057
Total net assets	3,039,758	2,624,409
TOTAL LIABILITIES AND NET ASSETS	\$ 3,332,908	\$ 2,783,727

See accompanying notes to financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016
(with summarized comparative totals for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Public support and revenue:				
Contributions	\$ 2,225,962	\$ 235,000	\$2,460,962	\$ 2,039,888
Contributed services, media time and space	2,027,902	-	2,027,902	1,534,371
Event contributions, sponsorships and fees	2,621,141	-	2,621,141	2,321,486
Less: direct benefit to donors and sponsors	(124,278)	-	(124,278)	(113,717)
Other income	10,992	-	10,992	13,663
Net assets released from restrictions	<u>373,296</u>	<u>(373,296)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>7,135,015</u>	<u>(138,296)</u>	<u>6,996,719</u>	<u>5,795,691</u>
Expenses:				
Program services:				
Education and awareness	4,568,463	-	4,568,463	3,483,533
Public policy	<u>727,190</u>	<u>-</u>	<u>727,190</u>	<u>527,564</u>
Total program services	5,295,653	-	5,295,653	4,011,097
Fundraising	661,268	-	661,268	889,656
General and administrative	<u>624,449</u>	<u>-</u>	<u>624,449</u>	<u>519,770</u>
Total expenses	<u>6,581,370</u>	<u>-</u>	<u>6,581,370</u>	<u>5,420,523</u>
Changes in net assets	553,645	(138,296)	415,349	375,168
Net assets - beginning of year	<u>1,772,352</u>	<u>852,057</u>	<u>2,624,409</u>	<u>2,249,241</u>
NET ASSETS - END OF YEAR	<u>\$ 2,325,997</u>	<u>\$ 713,761</u>	<u>\$3,039,758</u>	<u>\$ 2,624,409</u>

See accompanying notes to financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative financial information for the year ended December 31, 2015)

	Program Services		Support Services		Total Expenses	
	Education and Awareness	Public Policy	Fundraising	General and Administrative	2016	2015
Advertising and donated media	\$ 1,929,884	\$ -	\$ 43,213	\$ -	\$ 1,973,097	\$ 1,796,668
Salaries and employee benefits	1,028,793	54,214	189,749	57,218	1,329,974	770,326
Consulting and outside services	527,560	596,820	-	62,784	1,187,164	673,401
Event costs	318,322	56,028	196,098	-	570,448	985,644
Professional fees	124,469	-	37,555	314,366	476,390	273,694
Conferences, meetings and travel	221,116	7,585	26,548	-	255,249	301,267
Depreciation and amortization	191,063	-	-	12,326	203,389	154,507
Website expense	141,678	-	15,742	-	157,420	81,151
Credit card fees	-	-	147,927	-	147,927	105,398
Occupancy expenses	62,010	11,275	-	52,228	125,513	121,456
Office expenses	-	-	-	46,591	46,591	13,621
Supplies	16,597	-	-	9,222	25,819	53,933
Insurance	2,774	505	1,765	18,961	24,005	23,816
Bad debt	-	-	-	21,900	21,900	-
Printing and postage	4,197	763	2,671	8,624	16,255	49,511
Telecommunications	-	-	-	12,235	12,235	15,066
State filing fees	-	-	-	7,994	7,994	1,064
TOTAL	\$ 4,568,463	\$ 727,190	\$ 661,268	\$ 624,449	\$ 6,581,370	\$ 5,420,523

See accompanying notes to financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(with comparative information for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ 415,349	\$ 375,168
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	203,389	154,507
Change in discount to present value pledges receivable	(11,123)	21,069
Changes in assets and liabilities:		
Contributions receivable	106,292	(251,840)
Deferred revenue	151,359	6,811
Prepaid expenses	(57,484)	83,760
Other assets	(41,239)	(4,311)
Accounts payable and accrued expenses	<u>(17,526)</u>	<u>(298,344)</u>
Net cash provided by operating activities	749,017	86,820
Cash used in investing activities:		
Purchases of property and equipment	<u>(408,833)</u>	<u>(152,338)</u>
Net increase (decrease) in cash and cash equivalents	340,184	(65,518)
Cash and cash equivalents - beginning	<u>1,131,514</u>	<u>1,197,032</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,471,698</u>	<u>\$ 1,131,514</u>

See accompanying notes to financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(with summarized information for the year ended December 31, 2015)

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, 2016 and 2015, 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, 2015, from which the summarized information was derived.

SHATTERPROOF, A NONPROFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(with summarized information for the year ended December 31, 2015)

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.

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, 2016 and 2015, contributions to temporarily restricted net assets related to unconditional promises to give in future years and will be released as the time restrictions expire. At December 31, 2015, contributions to temporarily restricted net assets also included contributions designated for the development of Shatterproof's Substance Use Disorder Resource Website (see Note 7).

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, 2016). The discount on unconditional promises to give was approximately \$63,000 and \$74,000 as of December 31, 2016 and 2015, respectively.

Shatterproof evaluates the collectibility of contributions and pledges receivable and 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, 2016 or 2015.

Contributed Services, Media Time and Space

For the year ended December 31, 2016, contributed services consisted of (i) \$1,846,637 (2015: \$1,436,953) related to local television, radio and newspaper reporting, primarily to cover the Shatterproof Challenge and other events to raise awareness and educate the public on the disease of addiction and Shatterproof's mission; and (ii) donated legal services totaling \$168,461 (2015: \$85,324). 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 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.

SHATTERPROOF, A NONPROFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(with summarized information for the year ended December 31, 2015)

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 \$12,804 and \$12,082 for the years ended December 31, 2016 and 2015, 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. 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. 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

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 expense consists 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 2016 and 2015 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, 2016 or 2015.

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.

Reclassifications

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

SHATTERPROOF, A NONPROFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(with summarized information for the year ended December 31, 2015)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and should be applied on a retrospective basis in the year that it is first applied. 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 CEO of Shatterproof accounted for 32% and 44% of total contributions as of December 31, 2016 and 2015, respectively. There were no contributions receivable from the founder and CEO as of December 31, 2016. At December 31, 2015, approximately 6% of total contributions receivable were due from the founder and CEO. In addition, three other donors accounted for approximately 65% of contributions receivable at both December 31, 2016 and 2015.

NOTE 4. PROMISES TO GIVE

Contributions and pledges receivable include the following unconditional promises to give at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Received in less than one year	\$ 162,870	\$ 70,000
Received in one year to five years	406,980	421,980
Received in more than five years	<u>207,218</u>	<u>300,088</u>
Total unconditional promises to give	777,068	792,068
Less: discounts to net present value	<u>(63,307)</u>	<u>(74,430)</u>
Unconditional promises to give, net	<u>\$ 713,761</u>	<u>\$ 717,638</u>

SHATTERPROOF, A NONPROFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(with summarized information for the year ended December 31, 2015)

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016 and 2015:

	2016	2015
Furniture and fixtures	\$ 42,998	\$ 34,614
Website costs	987,734	587,286
	1,030,732	621,900
Less: accumulated depreciation and amortization	(461,982)	(274,771)
Property and equipment, net	\$ 568,750	\$ 347,129

Depreciation and amortization expense was \$203,389 and \$154,507 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6. ACTIVITIES WITH JOINT COSTS

Shatterproof conducts joint activities (activities benefiting both programs 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 included fundraising appeals.

The cost of conducting these activities was allocated as follows for the years ended December 31, 2016 and 2015:

	2016	2015
Education and awareness	\$ 2,095,910	\$ 1,950,368
Advocacy	56,328	325,611
Fundraising	258,839	602,545
	\$ 2,411,077	\$ 2,878,524

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following components at December 31, 2016 and 2015:

	2016	2015
Time restricted	\$ 713,761	\$ 717,637
Resource center - website	-	134,420
	\$ 713,761	\$ 852,057

Contributions designated for the resource center were in support of the development of Shatterproof's new website, which will provide users with a comprehensive on-line resource with the most up-to-date, evidence-based information on how to understand, prevent, treat, and recover from the disease of addiction, while continuing to provide access to a supportive community of those affected by substance use disorders. All contributions designated for the resource center were released from restriction during 2016. The new website was launched in February 2017.

SHATTERPROOF, A NONPROFIT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016
(with summarized information for the year ended December 31, 2015)

NOTE 8. 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, 2016, 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 \$26,369 and \$5,404 for the years ended December 31, 2016 and 2015, respectively.

NOTE 9. SUBSEQUENT EVENTS

Shatterproof has evaluated subsequent events through March 31, 2017, 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.