# SHATTERPROOF, A NONPROFIT CORPORATION

## FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2014

SHATTERPROOF, A NONPROFIT CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2014

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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, 2014, 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.

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## 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, 2014, 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

White Plains, New York
July 27, 2015

# SHATTERPROOF, A NONPROFIT CORPORATION
## STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2014

### ASSETS

| | | |
|---|---|---|
| Cash | $ | 1,197,032 |
| Contributions receivable, net | | 661,998 |
| Prepaid expenses | | 167,751 |
| Property and equipment, net | | 349,297 |
| Intangible asset | | 258,386 |
| Other assets | | 65,628 |
| TOTAL ASSETS | $ | 2,700,092 |

### LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| Liabilities: | | |
| Accounts payable and accrued expenses | $ | 447,381 |
| Deferred revenue | | 3,470 |
| Total liabilities | | 450,851 |
| Net assets: | | |
| Unrestricted | | 1,777,683 |
| Temporarily restricted | | 471,558 |
| Total net assets | | 2,249,241 |
| TOTAL LIABILITIES AND NET ASSETS | $ | 2,700,092 |

See accompanying notes to financial statements.

# SHATTERPROOF, A NONPROFIT CORPORATION
## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
## FOR THE YEAR ENDED DECEMBER 31, 2014

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| Public support and revenue: | | | |
| Contributions from individuals, corporations, and foundations | $ 2,013,850 | $ 37,135 | $ 2,050,985 |
| Event contributions, sponsorships and fees | 1,778,975 | - | 1,778,975 |
| Contributed facility, goods and services | 1,086,195 | - | 1,086,195 |
| Less: direct benefit to donors and sponsors | (95,707) | - | (95,707) |
| Other income | 14,777 | - | 14,777 |
| Net assets released from restrictions | 63,210 | (63,210) | - |
| Total public support and revenue | 4,861,300 | (26,075) | 4,835,225 |
| Expenses: | | | |
| Program services: | | | |
| Education and awareness | 2,007,406 | - | 2,007,406 |
| Advocacy | 412,828 | - | 412,828 |
| Total program services | 2,420,234 | - | 2,420,234 |
| Supporting services: | | | |
| Fundraising | 1,091,917 | - | 1,091,917 |
| General and administrative | 289,489 | - | 289,489 |
| Total supporting services | 1,381,406 | - | 1,381,406 |
| Total expenses | 3,801,640 | - | 3,801,640 |
| Increase (decrease) in net assets | 1,059,660 | (26,075) | 1,033,585 |
| Net assets - beginning | 718,023 | 497,633 | 1,215,656 |
| NET ASSETS - ENDING | $ 1,777,683 | $ 471,558 | $ 2,249,241 |

See accompanying notes to financial statements.

## SHATTERPROOF, A NONPROFIT CORPORATION
## SCHEDULE OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2014

| | PROGRAM SERVICES | | | SUPPORT SERVICES | | |
|---|---|---|---|---|---|---|
| | EDUCATION AND AWARENESS | ADVOCACY | TOTAL PROGRAM EXPENSES | FUNDRAISING | GENERAL AND ADMIN-ISTRATIVE | TOTAL EXPENSES |
| Advertising and donated media | $ 644,540 | $ - | $ 644,540 | $ 347,060 | $ - | $ 991,600 |
| Salaries and related benefits | 312,102 | 5,418 | 317,520 | 209,568 | 44,832 | 571,920 |
| Professional fees and services | 250,311 | 202,516 | 452,827 | 72,493 | 7,905 | 533,225 |
| Event fees and licenses | 315,105 | - | 315,105 | 169,671 | - | 484,776 |
| Conferences, meetings and travel | 168,510 | 13,348 | 181,858 | 83,631 | 2,923 | 268,412 |
| Technology and communications | 111,335 | 94,200 | 205,535 | 39,424 | 5,335 | 250,294 |
| Supplies | 101,587 | - | 101,587 | 64,867 | - | 166,454 |
| Legal fees | - | - | - | - | 124,569 | 124,569 |
| Depreciation and amortization | 41,263 | 36,679 | 77,942 | 13,755 | - | 91,697 |
| Accounting fees | - | - | - | - | 80,893 | 80,893 |
| Occupancy expenses | 28,855 | 463 | 29,318 | 24,228 | 3,239 | 56,785 |
| Grants given in support of programs | - | 50,000 | 50,000 | - | - | 50,000 |
| Credit card fees | - | - | - | 43,816 | - | 43,816 |
| Printing and postage | 10,315 | 3,452 | 13,767 | 2,720 | 5,813 | 22,300 |
| Dues and subscriptions | 3,456 | 6,601 | 10,057 | 7,314 | 2,829 | 20,200 |
| Equipment rental | 11,422 | - | 11,422 | 6,151 | - | 17,573 |
| Office expense | 7,850 | 151 | 8,001 | 6,813 | 1,809 | 16,623 |
| Insurance | 755 | - | 755 | 406 | 4,299 | 5,460 |
| State filing fees | - | - | - | - | 5,043 | 5,043 |
| TOTAL | $ 2,007,406 | $ 412,828 | $ 2,420,234 | $ 1,091,917 | $ 289,489 | $ 3,801,640 |

See accompanying notes to financial statements.

**SHATTERPROOF, A NONPROFIT CORPORATION**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2014**

| | |
|---|---|
| Operating activities: | |
| Change in net assets | $ 1,033,585 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 91,697 |
| Change in discount to present value pledges receivable | (13,006) |
| Changes in assets and liabilities: | |
| Contributions receivable, net | 108,641 |
| Deferred revenue | 3,470 |
| Prepaid expenses | 99,082 |
| Other assets | (72,369) |
| Accounts payable and accrued expenses | (292,280) |
| Net cash provided by operating activities | 958,820 |
| Investing activities: | |
| Purchase of office equipment | (18,619) |
| Website development costs | (239,095) |
| Net cash used in investing activities | (257,714) |
| Net increase in cash | 701,106 |
| Cash - beginning | 495,926 |
| CASH - ENDING | $ 1,197,032 |

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 committed to protecting children from addiction to alcohol and other drugs and ending the stigma and suffering of those affected by this disease.

Shatterproof will accomplish its mission by educating, empowering and equipping parents, families, educators, health care providers, legislators, and others to address addiction head on. Shatterproof employs a layered approach of tactics and initiatives serving its four Strategic Pillars:

(i) *Unite and Empower* - Unite millions of Americans around a mission that has previously lacked a forceful central advocate, empower people and organizations to create the change that can prevent, treat, and ultimately end addiction;

(ii) *End the Stigma* - Educate the public so society will view those suffering from addiction with compassion and offer support;

(iii) *Advocate for Change* - Provide information and resources for those living with addiction and their families, enabling powerful new evidence-based approaches to prevention, treatment and recovery, and taking the issue to the steps of Capitol Hill; and

(iv) *Research and Innovate* - Foster collaboration and investment, including continued research into the biological and environmental factors that contribute to the development and progression of addiction, as well as effective strategies to prevent, treat and recover from the disease.

Through a series of specific and measurable goals, Shatterproof is working to address the serious gaps in funding and resources for the disease of addiction.

## 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 the provisions for not-for-profit organizations, Shatterproof 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.

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

Basis of Presentation (Continued)

- *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, 2014, 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.

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, 2014, contributions to temporarily restricted net assets relate 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 3% at December 31, 2014). The discount on unconditional promises to give was approximately $53,000 as of December 31, 2014.

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

Contributions and Contributions Receivable (Continued)

The Organization 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 amounts when they are deemed uncollectible. Based on the Organization's evaluation, an allowance for uncollectible contributions and pledges receivable was not considered necessary at December 31, 2014.

Contributed Facility, Goods and Services

For the year ending December 31, 2014, contributed services consist of (i) $948,472 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 $114,586. 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 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.

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.

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 $23,137 for the year ended December 31, 2014.

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. 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 are capitalized. Website development costs are amortized using the straight-line method over an estimated life of three years.

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

### Intangible Asset

Intangible assets consist of $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.

### 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.

### 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 2014 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, 2014.

### Advertising

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

### 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.

### Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through July 27, 2015, 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

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.

## NOTE 3. CONCENTRATION OF RISK (CONTINUED)

Contributions receivable at December 31, 2014, are due from various individuals, corporations and foundations. Contributions and contributions receivable from the founder and CEO of Shatterproof accounted for 64% and 17%, respectively, of total contributions and contributions receivable as of and for the year ended December 31, 2014. In addition, two other donors, one of whom is a sibling of the CEO, accounted for 63% of contributions receivable at December 31, 2014.

## NOTE 4. PROMISES TO GIVE

Contributions receivable include the following unconditional promises to give at December 31, 2014:

| | | |
|---|---|---|
| Received in less than one year | $ | 70,000 |
| Received in one year to five years | | 324,920 |
| Received in more than five years | | 130,000 |
| Total unconditional promises to give | | 524,920 |
| Less: discounts to net present value | | (53,361) |
| Unconditional promises to give, net | $ | 471,559 |

## NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2014:

| | | |
|---|---|---|
| Furniture and fixtures | $ | 25,466 |
| Website costs | | 444,095 |
| | | 469,561 |
| Less: accumulated depreciation and amortization | | (120,264) |
| | $ | 349,297 |

Depreciation and amortization expense for the year ended December 31, 2014, was $91,697.

## 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. In 2014, Shatterproof incurred joint costs of $1,875,629 to educate the public and expand society's awareness of those suffering from the disease of addiction and perform activities that included fund-raising appeals. The cost of conducting these activities was allocated as follows for the year ending December 31, 2014:

| | | |
|---|---|---|
| Education and Awareness | $ | 1,219,159 |
| Fundraising | | 656,470 |
| | $ | 1,875,629 |

**NOTE 7. 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, 2014, 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 $4,771 for the year ended December 31, 2014.