SHATTERPROOF, A NONPROFIT CORPORATION
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018
(with summarized comparative financial information as of and for the year ended December 31, 2017)

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CITRINCOOPERMAN®
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shatterproof, A Nonprofit Corporation and Affiliates

We have audited the accompanying consolidated financial statements of Shatterproof, A Nonprofit Corporation and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shatterproof, A Nonprofit Corporation and Affiliates as of December 31, 2018, and the results of their activities and their 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, A Nonprofit Corporation's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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
April 16, 2019

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(with comparative financial information as of December 31, 2017)

	2018	2017
Assets:		
Cash and cash equivalents	$ 2,402,063	$ 1,243,053
Operating investments	794,766	475,458
Accounts receivable and promises to give, net	1,117,791	1,122,085
Prepaid expenses and other current assets	222,523	261,330
Property and equipment, net	372,322	566,710
Intangible assets	258,386	258,386
Other assets	68,558	59,025
TOTAL ASSETS	$ 5,236,409	$ 3,986,047
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 174,238	$ 288,644
Deferred revenue	901,975	107,975
Total liabilities	1,076,213	396,619
Net Assets:		
Without donor restrictions	2,416,954	2,648,513
With donor restrictions	1,743,242	940,915
Total net assets	4,160,196	3,589,428
TOTAL LIABILITIES AND NET ASSETS	$ 5,236,409	$ 3,986,047

See notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with summarized comparative totals for the year ended December 31, 2017)

	Without donor Restrictions	With donor Restrictions	Total 2018	Total 2017
Public support and revenue:				
Contributions	$ 2,617,980	$ 1,072,426	$ 3,690,406	$ 2,452,968
Contributed services, media time and space	18,600,316	-	18,600,316	2,444,448
Event contributions, sponsorship and fees	4,580,650	30,000	4,610,650	4,301,411
Less: direct benefit to donors and sponsors	(351,355)	-	(351,355)	(321,122)
Other income	17,649	-	17,649	7,323
Net assets released from restrictions	300,099	(300,099)	-	-
Total public support and revenue	25,765,339	802,327	26,567,666	8,885,028
Expenses:				
Program services expense:				
Education and awareness	18,849,246	-	18,849,246	5,400,826
Treatment task force	625,481	-	625,481	-
Public policy	837,724	-	837,724	1,084,844
Total program service expenses	20,312,451	-	20,312,451	6,485,670
Supporting service expense:				
Fundraising	4,935,722	-	4,935,722	1,058,958
General and administrative	748,725	-	748,725	790,730
Total supporting services expenses	5,684,447	-	5,684,447	1,849,688
Total expenses	25,996,898	-	25,996,898	8,335,358
Change in net assets	(231,559)	802,327	570,768	549,670
Net assets - beginning	2,648,513	940,915	3,589,428	3,039,758
NET ASSETS - ENDING	$ 2,416,954	$ 1,743,242	$ 4,160,196	$ 3,589,428

See notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative financial information for the year ended December 31, 2017)

	Program Services				Support Services		Total Expenses	
	Education and Awareness	Treatment Task Force	Public Policy	Total Program Expenses	Fundraising	General and Administrative	2018	2017
Advertising and donated media	$ 16,027,272	$ 21,144	$ 54,964	$ 16,103,380	$ 3,026,953	$ 3,800	$ 19,134,133	$ 2,587,186
Salaries and employee benefits	1,504,557	83,944	285,091	1,873,592	862,077	217,116	2,952,785	1,723,608
Event costs	403,583	34,593	138,372	576,548	608,057	2,500	1,187,105	1,173,489
Consulting and outside services	174,487	268,780	174,112	617,379	54,074	-	671,453	462,542
Technology and communications	262,678	33,892	100,591	397,161	57,255	29,408	483,824	797,798
Conferences, meetings and travel	142,364	138,473	37,034	317,871	74,476	-	392,347	367,704
Depreciation and amortization	188,307	27,203	27,203	242,713	40,805	34,458	317,976	301,357
Legal and accounting fees	6,708	6,708	-	13,416	-	250,464	263,880	463,681
Occupancy expenses	87,535	7,348	14,696	109,579	34,118	44,916	188,613	178,991
Bank and credit card fees	-	-	-	-	167,601	1,248	168,849	122,057
Office expenses	-	-	-	-	-	78,224	78,224	56,667
Bad debt	-	-	-	-	-	59,950	59,950	25,300
Program expense	34,814	-	1,320	36,134	176	671	36,981	-
Printing and postage	13,939	1,394	2,341	17,674	7,127	3,109	27,910	36,470
Supplies	3,002	2,002	2,000	7,004	3,003	10,004	20,011	21,415
Insurance	-	-	-	-	-	12,857	12,857	17,093
TOTAL EXPENSES	$ 18,849,246	$ 625,481	$ 837,724	$ 20,312,451	$ 4,935,722	$ 748,725	$ 25,996,898	$ 8,335,358

See notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative financial information for the year ended December 31, 2017)

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	$ 570,768	$ 549,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	317,976	301,357
Change in discount to present value promises to give	(3,900)	(16,654)
Net depreciation (appreciation) on operating investments	7,024	(2,393)
Bad debt expense	59,950	25,300
Donated securities	(144,492)	(47,001)
Changes in operating assets and liabilities:		
Contributions and pledges receivable	(51,756)	(333,131)
Deferred revenue	794,000	(53,665)
Prepaid expenses and other current assets	38,807	(119,855)
Other assets	(9,532)	26,537
Accounts payable and accrued expenses	(114,406)	157,134
Net cash provided by operating activities	1,464,439	487,299
Cash flows from investing activities:		
Purchases of operating investments	(922,399)	(875,953)
Proceeds from sales of operating investments	740,558	449,889
Purchases of property and equipment	(123,588)	(289,880)
Net cash used in investing activities	(305,429)	(715,944)
Net change in cash and cash equivalents	1,159,010	(228,645)
Cash and cash equivalents - beginning	1,243,053	1,471,698
CASH AND CASH EQUIVALENTS - ENDING	$ 2,402,063	$ 1,243,053

See notes to consolidated financial statements.

NOTE 1. ORGANIZATION

Shatterproof, A Nonprofit Corporation, ("Shatterproof") is a national nonprofit organization dedicated to ending the devastation that addiction causes families. Shatterproof is accomplishing its mission by educating, empowering and equipping parents, families, educators, health care providers, legislators, and others to address addiction head on. Shatterproof's primary sources of revenue and support are contributions from the public, corporations and foundations.

Shatterproof qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 4 of Chapter 180 of the Massachusetts General Laws. During 2018, Shatterproof formed its consolidated affiliates, Shatterproof Workplace and Family Program, LLC and Shatterproof Treatment Compare, LLC (the "Affiliates"). The Affiliates are Delaware Limited Liability Companies that were formed to carry out certain programs established by Shatterproof. Shatterproof is the sole member of both Affiliates. Activity of the Affiliates was limited to formation for the year ended December 31, 2018. Shatterproof fulfills its mission by focusing its efforts in three primary service areas:

Education and Awareness

Public Education

Anti-stigma education at events such as Shatterproof's national Rise Up Against Addiction 5K Run/Walk Series.

Shatterproof Workplace Program: A proactive education program for employers that will reduce stigma and help people seek treatment when they need it.

Shatterproof Family Program: Provides education on substance use disorder informed by the latest evidence-based research. Helps families understand the many types of treatment resources to find ones suited to meet their needs.

Treatment Task Force

Ratings System of Addiction Treatment Programs

Developing a transparent quality rating system for addiction treatment programs that gives consumers the knowledge they need to find effective, evidence-based treatment and drive improvements in the quality of care.

Payer Reform

Our payer-based strategies use a tactical approach to ensure addiction treatment is paid for by private health insurance and that specialty addiction treatment programs offer all three FDA-approved medications for addiction.

Public Policy

Federal and State Advocacy

Combatting patient brokering; increasing access to medication-assisted treatment; ensuring government funding only goes toward treatment programs proven to actually work.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Shatterproof and its Affiliates (collectively the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with U.S. GAAP.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Operating Investments

Operating investments consist primarily of mutual funds invested in short-term fixed income assets, with daily liquidity. Investments are carried at fair value, with related gains and losses reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions. 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.

Accounts Receivable and Promises to Give

Accounts receivable consist primarily of amounts currently due from event sponsors. 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 future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. The discount on unconditional promises to give was approximately $43,000 and $47,000 as of December 31, 2018 and 2017, respectively. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities.

The Organization determines the allowance for accounts receivable and uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable and promises to give are written off when deemed uncollectable. At December 31, 2018, the allowance was $58,000.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 350-50.

Intangible Assets

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2018, there were no perpetual donor-imposed restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions with donor restrictions as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other contributions with donor restrictions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and grant payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, or unconditional promise to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services, Media Time and Space

For the year ended December 31, 2018, contributed services consisted primarily of national and local television, and radio and newspaper reporting totaling $18,452,614 (2017: $2,132,711). Contributed media covered Shatterproof events primarily to (i) raise awareness and educate the public about the disease of addiction and Shatterproof's mission; (ii) request supporters to contact their local policy makers; (iii) appeal to the audiences to engage with Shatterproof to actively support its initiatives; and (iv) to raise the funds necessary to carry out Shatterproof's mission. In addition, Shatterproof received donated legal services totaling $134,159 (2017: $298,587).

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 consolidated financial statements at the fair value of the services received.

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 consolidated financial statements totaled $13,543 and $13,150 for the years ended December 31, 2018 and 2017, respectively.

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

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 U.S. GAAP and, accordingly, are not reflected in the accompanying consolidated financial statements.

Income Taxes

Shatterproof is exempt from federal income taxes under Section 501(c)(3) of the IRC. The Affiliates derive their tax exempt status from Shatterproof, and are treated as disregarded entities for federal, state and local income tax purposes. 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 2018 and 2017 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, 2018 or 2017.

Functional Allocation of Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the accompanying consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area are reported as expenses to those functional areas. A portion of general and administrative costs that benefit multiple functional areas has been allocated across programs and other supporting services based on management's best estimate, considering factors such as time and effort and proportion of employee time spent on programs and other supporting services to total organizational time spent.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with high quality financial institutions. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Organization and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recently Adopted Accounting Pronouncements

On August 18, 2016, FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Issued but not yet Effective Accounting Pronouncements

In May 2014, FASB issued 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 Organization expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective. This guidance is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2018-08 will have on its consolidated financial statements and related disclosures.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,402,063
Accounts receivable, net	276,475
Promises to give due within one year	363,620
Operating investments	794,766
Financial assets available to meet general expenditures over the next twelve months	$ 3,836,924

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses. As part of its liquidity plan, excess cash is invested in operating investments.

NOTE 4. FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets and liabilities at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that it can access at the measurement date.

Level 2 – Inputs that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. The Organization has no Level 3 investments.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to its assessment of the quality, risk, or liquidity profile of the asset or liability.

At December 31, 2018, the Organization's operating 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.

NOTE 4. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Also included in operating investments are donated securities that were sold but not settled as of December 31, 2018. Operating investments are classified as trading securities and are carried at fair value based on the quoted market prices at December 31, 2018. 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.

A significant portion of its investment assets is classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents investments measured at fair value on a recurring basis at December 31, 2018:

		Fair Value Measurements at December 31, 2018		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs) (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	$ 700,331	$ 700,331	$ -	$ -
Common Stocks	94,435	94,435	-	-
	$ 794,766	$ 794,766	$ -	$ -

During the year ended December 31, 2018, 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 reported in the active market where the fund is traded on a daily basis.

Common Stocks - Common stocks are valued at the closing price reported in the active market in which the respective investments trade.

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 consolidated 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 5. 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 5. CONCENTRATION OF RISK (CONTINUED)

Contributions from the founder and Chief Executive Officer ("CEO") of Shatterproof accounted for less than 1% and 2% of total contributions for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, accounts receivable from the CEO totaled $31,500. There were no contributions receivable from the CEO as of December 31, 2017. In addition, three other related party donors accounted for approximately 43% and 56% of accounts receivable and promises to give at December 31, 2018 and 2017, respectively.

NOTE 6. PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at December 31, 2018 and 2017:

	2018	2017
Less than one year	$ 363,620	$ 502,870
One year to five years	391,230	321,480
More than five years	129,218	163,218
Total unconditional promises to give	884,068	987,568
Less: discount to net present value at rates ranging from 1.71% to 3.04%	(42,752)	(46,653)
Unconditional promises to give, net	$ 841,316	$ 940,915

Promises to give appears with accounts receivable in the consolidated statements of financial position as follows:

	2018	2017
Accounts receivable, net	$ 276,475	$ 181,170
Unconditional promises to give, net	841,316	940,915
Accounts receivable and promises to give, net	$ 1,117,791	$ 1,122,085

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018 and 2017:

	2018	2017
Furniture and fixtures	$ 129,223	$ 72,657
Website costs	947,781	1,247,956
Software capitalization	37,035	-
	1,114,039	1,320,613
Less: accumulated depreciation and amortization	(741,717)	(753,903)
	$ 372,322	$ 566,710

Depreciation and amortization expense totaled $317,977 and $301,357 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Subject to expenditure for specified purpose:		
Shatterproof Addiction Provider Rating System and Payor Portal	$ 901,926	$ -
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	841,316	940,915
	$ 1,743,242	$ 940,915

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Expiration of time restrictions	$ 300,099	$ 372,846

NOTE 9. DONATED PROFESSIONAL SERVICES AND MATERIALS

The Organization received donated professional services and materials as follows during the year ended December 31, 2018:

	Program Services	Management and General	Fundraising and Development	Total
December 31, 2018:				
Advertising	$ 15,684,722	$ -	$ 2,767,892	$ 18,452,614
Legal services	13,416	120,743	-	134,159
Office space	-	6,772	6,772	13,544
	$ 15,698,138	$ 127,515	$ 2,774,664	$ 18,600,317

NOTE 10. 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, and are to (i) raise awareness and educate the public about the disease of addiction and Shatterproof's mission; (ii) request supporters to contact their local policy makers; (iii) appeal to the audiences to engage with Shatterproof to actively support its initiatives; and (iv) raise the funds necessary to carry out Shatterproof's mission.

The cost of conducting these activities was allocated as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Education and awareness	$ 16,088,305	$ 2,742,292
Treatment task force	34,593	-
Public policy	138,371	137,161
Fundraising	3,375,949	426,747
General and administrative	2,500	-
	$ 19,639,718	$ 3,306,200

NOTE 11. 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 years ended December 31, 2018, the matching contribution was equal to 100% of the employees' deferred contributions, provided that deferred contributions do not exceed 4% of gross wages. Total matching contributions to the Plan were $66,392 and $29,098 for the years ended December 31, 2018 and 2017, respectively.

NOTE 12. SUBSEQUENT EVENTS

Shatterproof has evaluated subsequent events through April 16, 2019, the date on which these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.