**SHATTERPROOF, A NONPROFIT CORPORATION
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Shatterproof, A Nonprofit Corporation and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shatterproof, A Nonprofit Corporation and Affiliates, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shatterproof, A Nonprofit Corporation and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shatterproof, A Nonprofit Corporation and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shatterproof, A Nonprofit Corporation and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on 2020 Summarized Comparative Information

We have previously audited Shatterproof, A Nonprofit Corporation and Affiliates' financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
August 1, 2022

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
Assets:		
Cash	$ 8,279,586	$ 4,574,619
Operating investments	1,476,491	1,591,419
Accounts receivable and promises to give, net	1,101,058	1,409,550
Prepaid expenses and other current assets	234,457	151,319
Property and equipment, net	74,879	124,320
Intangible assets	258,386	258,386
TOTAL ASSETS	$ 11,424,857	$ 8,109,613
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 477,158	$ 694,757
Deferred revenue	1,540,525	340,953
Paycheck Protection Program - loan payable	647,472	583,255
Total liabilities	2,665,155	1,618,965
Net Assets:		
Without donor restrictions	6,533,724	3,283,953
With donor restrictions	2,225,978	3,206,695
Total net assets	8,759,702	6,490,648
TOTAL LIABILITIES AND NET ASSETS	$ 11,424,857	$ 8,109,613

See accompanying notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(with summarized comparative totals for the year ended December 31, 2020)

		Without donor Restrictions	With donor Restrictions	Total 2021	Total 2020
Public support and revenue:					
Contributions		$ 3,193,024	$ 5,376,154	$ 8,569,178	$ 6,605,080
Contributed services, media time and space		6,833,322	-	6,833,322	3,428,896
Event contributions, sponsorship and fees	$1,563,620		-	-	-
Less: direct benefit to donors and sponsors	(80,081)		-	-	-
Net revenues from special events		1,483,539	-	1,483,539	2,117,797
Miscellaneous income		14,004	-	14,004	18,198
Net assets released from restrictions		6,356,871	(6,356,871)	-	-
Total public support and revenue		17,880,760	(980,717)	16,900,043	12,169,971
Expenses:					
Program services expenses:					
Education and awareness		8,838,972	-	8,838,972	5,969,944
Treatment task force		2,716,706	-	2,716,706	2,218,195
Public policy		1,548,184	-	1,548,184	1,236,546
Total program service expenses		13,103,862	-	13,103,862	9,424,685
Supporting service expenses:					
Fundraising		1,364,396	-	1,364,396	1,465,242
General and administrative		950,040	-	950,040	700,978
Total supporting services expenses		2,314,436	-	2,314,436	2,166,220
Total expenses		15,418,298	-	15,418,298	11,590,905
Change in net assets before other income		2,462,462	(980,717)	1,481,745	579,066
Other income:					
Employee retention credit income		204,054	-	204,054	-
Paycheck Protection Program loan forgiveness		583,255	-	583,255	-
Total other income		787,309	-	787,309	-
Change in net assets		3,249,771	(980,717)	2,269,054	579,066
Net assets - beginning		3,283,953	3,206,695	6,490,648	5,911,582
NET ASSETS - ENDING		$ 6,533,724	$ 2,225,978	$ 8,759,702	$ 6,490,648

See accompanying notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(with comparative financial information for the year ended December 31, 2020)

	Program Services				Support Services				
	Education and Awareness	**Treatment Quality Measurement**	**Public Policy**	**Total Program Expenses**	**Fundraising**	**General and Administrative**	**Special Event Direct Costs**	**2021 Total**	**2020 Summarized Total**
Advertising and donated media	$ 6,881,321	$ 150,423	$ 15,640	$ 7,047,384	$ 61,563	$ -	$ -	$ 7,108,947	$ 3,037,479
Salaries and employee benefits	1,002,219	1,577,995	880,286	3,460,500	991,150	294,907	-	4,746,557	3,931,473
Consulting and outside services	103,312	283,570	511,135	898,017	15,138	-	-	913,155	1,940,269
Event costs	105,084	8	32	105,124	105,125	-	68,888	279,137	577,200
Legal and accounting fees	41,911	125,799	10,478	178,188	-	539,605	-	717,793	652,845
Conferences, meetings and travel	14,044	27,734	5,835	47,613	10,916	262	-	58,791	187,769
Technology and communications	208,950	50,848	108,348	368,146	75,396	15,811	-	459,353	461,548
Depreciation and amortization	56,671	19,786	11,323	87,780	22,626	2,821	-	113,227	143,538
Occupancy expenses	17,680	1,263	2,526	21,469	2,526	1,263	-	25,258	228,029
Program expense	400,662	476,141	430	877,233	-	8,769	-	886,002	233,231
Bank and credit card fees	-	-	-	-	72,295	7,666	-	79,961	81,355
Office expenses	-	-	-	-	7,579	63,384	-	70,963	150,533
Printing and postage	697	998	10	1,705	82	5,804	11,193	18,784	17,337
Supplies	6,421	2,141	2,141	10,703	-	10,704	-	21,407	14,249
Insurance	-	-	-	-	-	13,894	-	13,894	4,614
Bad debt expense (recovery)	-	-	-	-	-	(14,850)	-	(14,850)	95,283
	8,838,972	2,716,706	1,548,184	13,103,862	1,364,396	950,040	80,081	15,498,379	11,756,752
Special event expenses reported directly	-	-	-	-	-	-	(80,081)	(80,081)	(165,847)
TOTAL EXPENSES REPORTED BY FUNCTION	$ 8,838,972	$ 2,716,706	$1,548,184	$ 13,103,862	$ 1,364,396	$ 950,040	$ -	$ 15,418,298	$ 11,590,905

See accompanying notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 2,269,054	$ 579,066
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	113,227	143,538
Paycheck Protection Program loan forgiveness	(583,255)	-
Change in discount to present value promises to give	(3,804)	550
Net appreciation on operating investments	(80,411)	(142,883)
Bad debt (recovery) expense	(14,850)	95,283
Donated securities	(125,179)	(95,220)
Changes in operating assets and liabilities:		
Accounts receivable and promises to give	327,146	(695,117)
Deferred revenue	1,199,572	(793,631)
Prepaid expenses and other current assets	(83,138)	100,021
Accounts payable and accrued expenses	(217,598)	342,162
Net cash provided by (used in) operating activities	2,800,764	(466,231)
Cash flows from investing activities:		
Purchases of operating investments	(732)	(11,504)
Proceeds from sales of operating investments	321,250	206,683
Purchases of property and equipment	(63,787)	(58,729)
Net cash provided by investing activities	256,731	136,450
Cash provided by financing activities:		
Proceeds from Paycheck Protection Program - loan payable	647,472	583,255
Net change in cash	3,704,967	253,474
Cash - beginning	4,574,619	4,321,145
CASH - ENDING	$ 8,279,586	$ 4,574,619

See accompanying notes to consolidated financial statements.

NOTE 1. ORGANIZATION

Shatterproof, A Nonprofit Corporation and Affiliates ("Shatterproof") is a national nonprofit dedicated to reversing the addiction crisis in the United States. Founded by hospitality executive Gary Mendell in 2013, Shatterproof draws from the extensive business experience of its senior leadership and uses a for-profit, ROI-focused lens to create results. Shatterproof's strict commitment to science-based solutions, and transformational change informs the business plan the organization executes daily. Shatterproof's primary sources of revenue and support are contributions from the public, corporations, foundations, and state governments.

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 years ended December 31, 2021 and 2020. Shatterproof fulfills its mission through work within the following three key pillars:

Transforming the Treatment System

The Shatterproof National Principles of Care set a national standard of quality care for addiction treatment. Based upon these principles, Shatterproof created ATLAS™ (Addiction Treatment, Locator, Assessment, and Standards platform), the nation's first quality measurement system for addiction treatment. Launched in July 2020, ATLAS® is a public-facing website that uses validated measures to assess the quality of substance use disorder treatment facilities and displays this information for those seeking treatment. Coupled with the Addiction Treatment Needs Assessment, which assesses the risk and severity of a person's addiction and then provides science-based recommendations for level of care (e.g., outpatient or residential) and additional services (e.g., medications for opioid use disorder (OUD), mental health services), ATLAS® offers the information people need to navigate the complex addiction treatment system. In addition, ATLAS® also includes customized dashboards for providers, states, and health insurers to use when pursuing data-driven solutions that advance the delivery of evidence-based care. In addition, through state and federal advocacy, Shatterproof supports the development of policies in three areas: payment reform for addiction treatment, addiction education for healthcare professionals, and effective use of opioid litigation funds.

Breaking Down Addiction-Related Stigmas

Shatterproof's national strategy was developed based on extensive research related to 11 previously successful social movements. This strategy identifies six priority segments for change: the general public, our healthcare system, employers, government, the criminal justice system, and media & entertainment. In 2020 and 2021, Shatterproof made significant impact by i) partnering with the Commonwealth of Pennsylvania, The Public Good Projects and The Pennsylvania State University ("Penn State") to implement a stigma reduction program that achieved significant reductions in stigma over its first year, ii) beginning the same program in the state of Kentucky, iii) developing, implementing and publishing our nation's most comprehensive measurement of addiction stigma (Shatterproof Addiction Stigma Index), iv) partnering with the National Academy of Medicine and Dell Medical School to hold the National Addiction Summit and v) partnering with Penn State to pilot a program to reduce the stigma that healthcare professionals have toward addiction and those with this disease.

NOTE 1. ORGANIZATION (CONTINUED)

Educating and Empowering Communities

Shatterproof's Just Five© digital education program (an online program) and Help Learn section of its website provide highly curated content on the prevention, treatment and recovery for addiction. Shatterproof's Ambassador and Junior programs brings together a group of volunteers who are in recovery, family members, and other passionate individuals to further Shatterproof's mission through speaking engagements, advocacy and events. The Shatterproof annual Rise Up Against Addiction Walks unite loved ones and communities to raise awareness, support those with addiction, and shatter the stigma of this disease.

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.

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, 2020, 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 periods.

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 $28,000 and $31,000 as of December 31, 2021 and 2020, respectively.

The Organization determines the allowance for accounts receivable and uncollectible

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Promises to Give (Continued)

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 uncollectible. No allowance was recorded at December 31, 2021 and 2020.

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

Intangible Asset

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

Deferred Revenue

Program service fees and grant payments received in advance and 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 revenue 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, 2021 and 2020, 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 statements of activities as "Net assets released from restrictions."

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributed Services, Media Time and Space

For the years ended December 31, 2021 and 2020, contributed services consisted primarily of national and local television, and radio and newspaper reporting totaling $6,602,463 and $2,841,722, respectively. 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 $209,554 and $563,901 for the years ended December 31, 2021 and 2020, respectively.

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 $21,305 and $23,273 for the years ended December 31, 2021 and 2020, 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 Internal Revenue Code. 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 2021 and 2020 financial statements. Using that guidance, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements as of December 31, 2021 or 2020.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing its 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 Organization.

Recently Issued but not yet Effective Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with terms greater than 12 months to be recognized on the consolidated statements of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases*: *Targeted Improvements*, in July 2018. These updates provide narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. This option will not require prior periods to be restated at the adoption date. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021, and the Organization is currently evaluating the effect 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 date of the consolidated statements of financial position, comprise the following as of December 31:

NOTE 3. **LIQUIDITY AND AVAILABILITY (CONTINUED)**

Financial assets at year-end:	2021	2020
Cash	$ 8,279,586	$ 4,574,619
Accounts receivable, net	724,979	673,945
Promises to give due within one year	197,104	442,370
Operating investments	1,476,491	1,591,419
Total financial assets at year end	10,678,160	7,282,353
Less: net assets with donor restrictions:	(2,225,978)	(3,206,695)
Financial assets available for general expenditures in the next 12 months	$ 8,452,182	$ 4,075,658

The Organization's goal is generally to maintain financial assets to meet 180 days of cash 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 the Organization 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, 2021 and 2020, 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, 2020. There were no donated securities that were sold but not settled as of December 31, 2021. Operating investments are classified as securities and are carried at fair value based on the quoted market prices at December 31, 2021 and 2020. Net realized and unrealized gains and losses on securities are included in changes in net assets. For purposes of determining realized gains and losses, the cost of securities sold is based on specific identification.

The Organization's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

The following tables present investments measured at fair value on a recurring basis at December 31, 2021 and 2020:

		Fair Value Measurements at December 31, 2021		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	$ 1,476,491	$ 1,476,491	$ -	$ -
	$ 1,476,491	$ 1,476,491	$ -	$ -

		Fair Value Measurements at December 31, 2020		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	$ 1,475,795	$ 1,475,795	$ -	$ -
Common Stocks	115,624	115,624	-	-
	$ 1,591,419	$ 1,591,419	$ -	$ -

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 statements 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. RISKS AND UNCERTAINTIES AND CONCENTRATIONS OF RISK

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

Contributions from the founder and Chief Executive Officer ("CEO") of Shatterproof accounted for less than 2% of total contributions for the years ended December 31, 2021 and 2020. There were no contributions receivable from the CEO as of December 31, 2021 and 2020. In addition, three and four other related-party donors accounted for approximately 20% and 38% of accounts receivable and promises to give at December 31, 2021 and 2020, respectively.

During the 2020 fiscal year, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Disruptions to the Organization's operations have occurred as a result from quarantines of employees and contributors and grantors in areas affected by the outbreak. Furthermore, economic uncertainties have arisen which are likely to negatively impact support and revenue. Given the uncertainty of the situation, the duration of the disruption and related financial impact to the Organization cannot be reasonably estimated at this time. No adjustments or provisions were made to the consolidated financial statements related to COVID-19.

NOTE 6. ACCOUNTS RECEIVABLE AND PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at December 31, 2021 and 2020:

	2021	2020
Less than one year	$ 197,104	$ 442,370
One year to five years	177,480	227,544
More than five years	29,093	97,093
Total unconditional promises to give	403,677	767,007
Less: discount to net present value at rates ranging from 1.45% to 3.04%	(27,598)	(31,402)
Unconditional promises to give, net	$ 376,079	$ 735,605

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

	2021	2020
Accounts receivable	$ 724,979	$ 673,945
Unconditional promises to give, net	376,079	735,605
Accounts receivable and promises to give, net	$ 1,101,058	$ 1,409,550

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
Furniture and fixtures	$ 194,837	$ 178,650
Website costs	1,118,867	1,071,267
Software capitalization	37,035	37,035
	1,350,739	1,286,952
Less: accumulated depreciation and amortization	(1,275,860)	(1,162,632)
Property and equipment, net	$ 74,879	$ 124,320

Depreciation and amortization expense totaled $113,227 and $143,538 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose:		
Shatterproof Addiction Provider Quality System and Payor Portal	$ 1,388,932	$ 1,880,913
Stigma Initiative	460,967	358,412
Public policy	-	231,765
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	376,079	735,605
	$ 2,225,978	$ 3,206,695

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, 2021 and 2020:

	2021	2020
Expiration of time restrictions	$ 576,027	$ 137,735
Satisfaction of purpose restrictions	5,780,844	3,309,893
	$ 6,356,871	$ 3,447,628

NOTE 9. DONATED PROFESSIONAL SERVICES AND MATERIALS

The Organization received donated professional services and materials as follows during the years ended December 31, 2021 and 2020:

	Program Services	Management and General	Fundraising and Development	Total
December 31, 2021:				
Advertising	$ 6,602,463	$ -	$ -	$ 6,602,463
Legal services	20,955	188,599	-	209,554
Office space	-	10,653	10,652	21,305
	$ 6,623,418	$ 199,252	$ 10,652	$ 6,833,322
December 30, 2020:				
Advertising	$ 2,415,464	$ -	$ 426,258	$ 2,841,722
Legal services	56,390	507,511	-	563,901
Office space	-	11,636	11,637	23,273
	$ 2,471,854	$ 519,147	$ 437,895	$ 3,428,896

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, 2021 and 2020:

	2021	2020
Education and awareness	$ 355,343	$ 563,792
Treatment quality measurement	13,972	14,991
Public policy	14,002	16,137
Fundraising	163,648	436,179
General and administrative	15	716
	$ 546,980	$ 1,031,815

NOTE 11. LEASE ARRANGEMENTS

The Organization entered into annual agreements to rent office space. During 2020, the Organization executed an agreement to surrender the office space. Rent expense incurred under these lease agreements amounted to $- and $204,756 for the years ended December 31, 2021 and 2020, respectively.

NOTE 12. 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, 2021 and 2020, 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 $98,733 and $117,327 for the years ended December 31, 2021 and 2020, respectively.

NOTE 13. SUBSEQUENT EVENTS

Shatterproof has evaluated subsequent events through August 1, 2022, the date on which these consolidated financial statements were available to be issued. Except for the events discussed in Notes 14 and 15, there were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

NOTE 14. PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program (the “PPP”), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. In April 2020, the Company received loan proceeds totaling $583,255 under the PPP. The PPP loan matures two years from the date of the first disbursement and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months (the “Covered Period”). On June 11, 2020, the Small Business Administration (“SBA”) revised the deferral period to be 10 months following the end of the Covered Period.

In June 2021, the Organization applied for PPP loan forgiveness with the Small Business Administration ("SBA"). On July 15, 2021, the Organization has received notice approval of the loan forgiveness from the SBA. As a result, the Organization has recorded $583,255 in the accompanying consolidated statements of activities as "Paycheck Protection Program loan forgiveness."

If it is determined that the Company was not eligible to receive the PPP loan or that the Company has not adequately complied with the rules, regulations, and procedures applicable to the SBA's loan program, the Company could be subject to penalties and could be required to repay the amounts previously forgiven.

In May 24, 2021, the Organization applied for a second round PPP loan in the amount of $647,472. The second round PPP loan is fully forgivable provided the Organization follows the forgiveness guidelines as defined by the PPP. On January 27, 2022, the Organization has received notice approval of the loan forgiveness from the SBA.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allows for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Organization recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Organization has been legally released from its obligation by the lender. The Organization deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Organization, mainly related to the third-party approval process for forgiveness.

The Organization used the proceeds for purposes consistent with the PPP; however, there can be no assurances that the Organization will ultimately meet the conditions for forgiveness of the loan or that it will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

NOTE 15. EMPLOYEE RETENTION TAX CREDITS

The Employee Retention Tax Credit ("ERTC"), as it existed under the CARES Act, was not available to organizations that received a PPP loan. Provisions in the Consolidated Appropriations Act ("CAA"), which was signed into law on December 27, 2020, removed this restriction and allowed organizations that qualify for the ERTC to retroactively apply for the ERTC so long as the same wages are not used for both PPP loan forgiveness and the ERTC.

U.S. GAAP does not contain authoritative guidance related to refundable tax credits. Absent authoritative accounting standards, interpretive guidance issued and commonly applied by financial statement preparers allows for the analogy to alternative guidance. Management has determined that the ERTC is a type of government assistance (government grant). FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition* ("ASC 958"), is utilized in accounting for government grants. Under ASC 958, grant revenue is recognized as revenue in the period received in the form of assets or decreases of liabilities (expenses) and when all conditions of the grant are met.

Management has determined that the Organization is eligible for and has met all the necessary conditions to qualify for the ERTC for both 2020 and 2021. During June 2022, the Organization has submitted amended quarterly payroll tax returns claiming to recover ERTC related to 2020 and first quarter of 2021. As of the report date of these consolidated financial statements, the Organization has not submitted amended quarterly payroll tax return claiming to recover ERTC related to second quarter of 2021.

For the year ended December 31, 2021, the Organization has filed for the ERTC with its regular quarterly payroll tax return filing during the third quarter and received the credit in November 2021. As such, $204,054 has been recognized as "Other income" in the accompanying consolidated statement of activities.