SHATTERPROOF, A NONPROFIT CORPORATION
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 and 2019

Table of Contents

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 statements of financial position as of December 31, 2020 and 2019, 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.

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 audits. We conducted our audits 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, 2020 and 2019, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CITRINCOOPERMAN®
Accountants and Advisors

Report on 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 May 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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
July 28, 2021

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 and 2019

	2020	2019
Assets:		
Cash	$ 4,574,619	$ 4,321,145
Operating investments	1,591,419	1,548,394
Accounts receivable and promises to give, net	1,409,550	810,266
Prepaid expenses and other current assets	151,319	150,120
Property and equipment, net	124,320	209,130
Intangible assets	258,386	258,386
Other assets	-	101,220
TOTAL ASSETS	$ 8,109,613	$ 7,398,661
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 694,757	$ 352,495
Deferred revenue	340,953	1,134,584
Paycheck Protection Program - loan payable	583,255	-
Total liabilities	1,618,965	1,487,079
Net Assets:		
Without donor restrictions	3,283,953	3,312,285
With donor restrictions	3,206,695	2,599,297
Total net assets	6,490,648	5,911,582
TOTAL LIABILITIES AND NET ASSETS	$ 8,109,613	$ 7,398,661

See notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized comparative totals for the year ended December 31, 2019)

		Without donor Restrictions	With donor Restrictions	Total 2020	Total 2019
Public support and revenue:					
Contributions		$ 2,550,054	$ 4,055,026	$ 6,605,080	$ 6,171,359
Contributed services, media time and space		3,428,896	-	3,428,896	12,680,808
Event contributions, sponsorship and fees	2,283,644		-	-	-
Less: direct benefit to donors and sponsors	(165,847)		-	-	-
Net revenues from special events		2,117,797	-	2,117,797	4,069,648
Other income		18,198	-	18,198	56,196
Net assets released from restrictions		3,447,628	(3,447,628)	-	-
Total public support and revenue		11,562,573	607,398	12,169,971	22,978,011
Expenses:					
Program services expense:					
Education and awareness		5,969,944	-	5,969,944	13,008,593
Treatment task force		2,218,195	-	2,218,195	2,387,051
Public policy		1,236,546	-	1,236,546	1,198,562
Total program service expenses		9,424,685	-	9,424,685	16,594,206
Supporting service expense:					
Fundraising		1,465,242	-	1,465,242	3,859,838
General and administrative		700,978	-	700,978	772,581
Total supporting services expenses		2,166,220	-	2,166,220	4,632,419
Total expenses		11,590,905	-	11,590,905	21,226,625
Change in net assets		(28,332)	607,398	579,066	1,751,386
Net assets - beginning		3,312,285	2,599,297	5,911,582	4,160,196
NET ASSETS - ENDING		$ 3,283,953	$ 3,206,695	$ 6,490,648	$ 5,911,582

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative financial information for the year ended December 31, 2019)

	Program Services				Support Services				
	Education and Awareness	Treatment Quality Measurement	Public Policy	Total Program Expenses	Fundraising	General and Administrative	Special Event Direct Costs	2020 Total	2019 Summarized Total
Advertising and donated media	$ 2,979,386	$ -	$ 42,075	$ 3,021,461	$ 16,018	$ -	$ -	$ 3,037,479	$ 12,586,822
Salaries and employee benefits	1,657,157	592,052	655,051	2,904,260	788,425	238,788	-	3,931,473	3,655,028
Consulting and outside services	368,645	997,464	350,335	1,716,444	223,825	-	-	1,940,269	1,954,378
Event costs	207,939	303	1,210	209,452	209,452	-	158,296	577,200	1,256,207
Legal and accounting fees	112,780	338,341	28,195	479,316	-	173,529	-	652,845	433,357
Conferences, meetings and travel	28,225	119,318	9,895	157,438	21,106	3,162	6,063	187,769	425,121
Technology and communications	230,169	50,375	91,745	372,289	73,806	15,453	-	461,548	338,220
Depreciation and amortization	74,577	23,715	14,354	112,646	27,772	3,120	-	143,538	277,377
Occupancy expenses	98,254	35,995	14,036	148,285	20,476	59,268	-	228,029	174,370
Program expense	201,732	-	26,640	228,372	-	4,859	-	233,231	152,533
Bank and credit card fees	-	-	-	-	80,072	1,283	-	81,355	144,210
Office expenses	-	58,415	-	58,415	-	92,118	-	150,533	58,111
Printing and postage	7,925	792	1,585	10,302	3,170	2,377	1,488	17,337	28,231
Supplies	3,155	1,425	1,425	6,005	1,120	7,124	-	14,249	22,756
Insurance	-	-	-	-	-	4,614	-	4,614	19,360
Bad debt (recovery) expense	-	-	-	-	-	95,283	-	95,283	(4,097)
	5,969,944	2,218,195	1,236,546	9,424,685	1,465,242	700,978	165,847	11,756,752	21,521,984
Special event expenses reported directly	-	-	-	-	-	-	(165,847)	(165,847)	(295,359)
TOTAL EXPENSES REPORTED BY FUNCTION	$ 5,969,944	$ 2,218,195	$1,236,546	$ 9,424,685	$ 1,465,242	$ 700,978	$ -	$ 11,590,905	$ 21,226,625

See notes to consolidated financial statements.

SHATTERPROOF, A NONPROFIT CORPORATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 579,066	$ 1,751,386
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	143,538	277,377
Change in discount to present value promises to give	550	(11,900)
Net appreciation on operating investments	(142,883)	(109,128)
Bad debt expense	(95,283)	(25,500)
Donated securities	(95,220)	(828,029)
Changes in operating assets and liabilities:		
Accounts receivable and promises to give	(504,551)	344,925
Deferred revenue	(793,631)	232,609
Prepaid expenses and other current assets	100,021	39,734
Accounts payable and accrued expenses	342,162	178,264
Net cash provided by (used in) operating activities	(466,231)	1,849,738
Cash flows from investing activities:		
Purchases of operating investments	(11,504)	(819,193)
Proceeds from sales of operating investments	206,683	1,002,721
Purchases of property and equipment	(58,729)	(114,184)
Net cash provided by investing activities	136,450	69,344
Cash provided by financing activities:		
Proceeds from Paycheck Protection Program - loan payable	583,255	-
Net change in cash	253,474	1,919,082
Cash - beginning	4,321,145	2,402,063
CASH - ENDING	$ 4,574,619	$ 4,321,145

See 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, evidence-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, 2020 and 2019. Shatterproof fulfills its mission through work within the following three key pillars:

Revolutionizing 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. ATLAS™ delivers valuable information to states, health insurers, and treatment facilities to enable data-driven and continuous quality improvement and drives demand to treatment programs providing higher quality care. ATLAS™ also includes the Addiction Treatment Needs Assessment (ATNA) which helps consumers determine the proper level of addiction treatment. In addition, through state and federal advocacy, Shatterproof supports the development of policies in three areas: payment reform for addiction treatment, addiction training and education for professionals, and opioid litigation settlement.

Breaking Down Addiction-Related Stigmas

Shatterproof's Movement to End Addiction Stigma aims to address stigma as a key driver of the addiction epidemic. As the central coordinating leader of this movement, Shatterproof is in the process of will developing stakeholder maps for six systems (employers, healthcare, government, criminal justice, media and entertainment), evidence-informed Action Plans, a core group of partner organizations, our nation's first Addiction Stigma Index, a stakeholder certification process, and media plan.

Supporting and Empowering Communities

Shatterproof's Just Five© digital education program is an online program focused on increasing awareness, reducing stigma, and sharing information and resources about addiction prevention and treatment. Shatterproof's Ambassadors program brings together a group of volunteers who are in recovery, family members, and other passionate individuals to further Shatterproof's mission through speaking engagements and events. The Shatterproof annual Rise Up Against Addiction 5k Run/Walk and Stronger Than Addiction Challenge 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.

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, 2019, 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. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

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 $31,000 as of both December 31, 2020 and 2019.

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 uncollectible. No allowance was recorded at at December 31, 2020 and 2019.

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, 2020 and 2019, 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.

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, 2020, contributed services consisted primarily of national and local television, and radio and newspaper reporting totaling $2,841,722 (2019: $12,317,755). 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 $563,901 (2019: $349,105).

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 $23,273 and $13,948 for the years ended December 31, 2020 and 2019, 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 2020 and 2019 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, 2020 or 2019.

Functional Allocation of Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the accompanying consolidated statements of activities. The consolidated statements 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.

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 statement 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 balance sheet date, comprise the following as of December 31:

Financial assets at year-end:	2020	2019
Cash	$ 4,574,619	$ 4,321,145
Accounts receivable, net	673,945	202,925
Promises to give due within one year	442,370	251,865
Operating investments	1,591,419	1,548,394
Total financial assets at year end	7,282,353	6,324,329
Less: net assets with donor restrictions:	(3,206,695)	(2,599,297)
Financial assets available for general expenditures in the next 12 months	$ 4,075,658	$ 3,725,032

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 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, 2020 and 2019, 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.

Also included in operating investments are donated securities that were sold but not settled as of December 31, 2020 and 2019. Operating investments are classified as securities and are carried at fair value based on the quoted market prices at December 31, 2020 and 2019. Net realized and unrealized gains and losses on 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.

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.

NOTE 4. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following tables present investments measured at fair value on a recurring basis at December 31, 2020 and 2019:

		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	$ -	$ -

		Fair Value Measurements at December 31, 2019		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	$ 1,475,208	$ 1,475,208	$ -	$ -
Common Stocks	73,186	73,186	-	-
	$ 1,548,394	$ 1,548,394	$ -	$ -

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. 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.

NOTE 5. RISKS AND UNCERTAINTIES AND CONCENTRATION OF RISK (CONTINUED)

Contributions from the founder and Chief Executive Officer ("CEO") of Shatterproof accounted for less than 3% and 2% of total contributions for the years ended December 31, 2020 and 2019, respectively. There were no contributions receivable from the CEO as of December 31, 2020 and 2019. In addition, four and three other related-party donors accounted for approximately 38% and 55% of accounts receivable and promises to give at December 31, 2020 and 2019, respectively.

During the 2020 fiscal year, the World Health Organization has 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 cannot be reasonably estimated at this time. No adjustments or provisions were made to the 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, 2020 and 2019:

	2020	2019
Less than one year	$ 442,370	$ 251,865
One year to five years	227,544	289,980
More than five years	97,093	96,348
Total unconditional promises to give	767,007	638,193
Less: discount to net present value at rates ranging from 1.45% to 3.04%	(31,402)	(30,852)
Unconditional promises to give, net	$ 735,605	$ 607,341

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

	2020	2019
Accounts receivable	$ 673,945	$ 202,925
Unconditional promises to give, net	735,605	607,341
Accounts receivable and promises to give, net	$ 1,409,550	$ 810,266

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2020 and 2019:

	2020	2019
Furniture and fixtures	$ 178,650	$ 167,171
Website costs	1,071,267	1,024,017
Software capitalization	37,035	37,035
	1,286,952	1,228,223
Less: accumulated depreciation and amortization	(1,162,632)	(1,019,093)
Property and equipment, net	$ 124,320	$ 209,130

Depreciation and amortization expense totaled $143,537 and $277,377 for the years ended December 31, 2020 and 2019, respectively.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Shatterproof Addiction Provider Quality System and Payor Portal	$ 1,880,913	$ 1,661,280
Stigma Initiative	358,412	265,676
Public policy	231,765	65,000
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	735,605	607,341
	$ 3,206,695	$ 2,599,297

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, 2020 and 2019:

	2020	2019
Expiration of time restrictions	$ 137,735	$ 513,975
Satisfaction of purpose restrictions	3,309,893	2,112,845
	$ 3,447,628	$ 2,626,820

NOTE 9. DONATED PROFESSIONAL SERVICES AND MATERIALS

The Organization received donated professional services and materials as follows during the years ended December 31, 2020 and 2019:

	Program Services	Management and General	Fundraising and Development	Total
December 31, 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
December 31, 2019:				
Advertising	$ 10,470,092	$ -	$ 1,847,663	$ 12,317,755
Legal services	34,911	314,194	-	349,105
Office space	-	6,974	6,974	13,948
	$ 10,505,003	$ 321,168	$ 1,854,637	$ 12,680,808

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, 2020 and 2019:

	2020	2019
Education and awareness	$ 563,792	$ 10,806,388
Treatment quality measurement	14,991	28,825
Public policy	16,137	115,302
Fundraising	436,179	2,328,087
General and administrative	716	-
	$ 1,031,815	$ 13,278,602

NOTE 11. LEASE ARRANGEMENTS

The Organization entered into annual agreements to rent office space. Rent expense incurred under these lease agreements amounted to $204,756 and $153,409 for the years ended December 31, 2020 and 2019, respectively.

During 2020, the Organization executed an agreement to surrender the office space.

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, 2020 and 2019, 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 $117,327 and $78,300 for the years ended December 31, 2020 and 2019, respectively.

NOTE 13. SUBSEQUENT EVENTS

Shatterproof has evaluated subsequent events through July 28, 2021, the date on which these consolidated financial statements were available to be issued. Except for the events discussed in Note 14, there were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

NOTE 14. PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Organization received loan proceeds of approximately $583,255 under the Paycheck Protection Program (“PPP”). 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 certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP for the loan to be eligible to be forgiven.

NOTE 14. PAYCHECK PROTECTION PROGRAM (CONTINUED)

The PPP loan matures two years from the date of first disbursement of proceeds to the Organization (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months and payable in eighteen (18) equal consecutive monthly installments of principal and interest commencing on the seven-month anniversary of the PPP Loan Date.

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 allow 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.

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.

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.

As of December 31, 2020, maturities for the next two years are as follows:

Year ending December 31:	Amount
2021	$ 288,295
2022	294,960
Total	$ 583,255