

**FIGHT THE NEW DRUG, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
Years Ended December 31, 2021 and 2020

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>AUDITED FINANCIAL STATEMENTS:</b>	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses – 2021	5
Statement of Functional Expenses – 2020	6
Statements of Cash Flows	7
Notes to the Financial Statements	8



## Independent Auditor's Report

Board of Directors  
Fight the New Drug, Inc.

### ***Opinion***

We have audited the accompanying financial statements of Fight the New Drug, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fight the New Drug, Inc. as of December 31, 2021 and 2020 and the changes in its net assets and its 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 (GAAS). 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 Fight the New Drug, Inc. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fight the New Drug, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 GAAS will always detect a material misstatement when it exists. 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Fight the New Drug, Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fight the New Drug, Inc.'s 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.

*Squire & Company, PC*

Orem, Utah  
March 14, 2022

**FIGHT THE NEW DRUG, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 756,548	\$ 821,242
Accounts and contributions receivable	26,631	1,097
Prepaid expenses	3,964	11,702
Inventory	58,587	78,117
	<u>845,730</u>	<u>912,158</u>
Total current assets	845,730	912,158
<b>Fixed Assets:</b>		
Furniture and equipment	91,307	81,762
Accumulated depreciation	(58,933)	(47,182)
	<u>32,374</u>	<u>34,580</u>
Net fixed assets	32,374	34,580
Total assets	<u>\$ 878,104</u>	<u>\$ 946,738</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 14,126	\$ 18,860
Accrued expenses	46,542	55,667
	<u>60,668</u>	<u>74,527</u>
Total current liabilities	60,668	74,527
<b>Net Assets:</b>		
Without donor restrictions:		
Designated for inventory and fixed assets	90,961	112,697
Undesignated	706,475	759,514
With donor restrictions	20,000	-
	<u>817,436</u>	<u>872,211</u>
Total net assets	817,436	872,211
Total liabilities and net assets	<u>\$ 878,104</u>	<u>\$ 946,738</u>

The accompanying notes are an integral part of these financial statements.

**FIGHT THE NEW DRUG, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2021 and 2020

	2021	2020
<b>Net Assets without Donor Restrictions:</b>		
Revenues and support:		
Donations	\$ 1,226,062	\$ 1,190,329
In-kind donations	120,000	120,000
Other revenue	3,475	-
Sale of merchandise:		
Revenue	306,458	333,712
Direct costs	(177,895)	(203,821)
Net sale of merchandise	<u>128,563</u>	<u>129,891</u>
Program service fees	<u>20,448</u>	<u>31,563</u>
Total revenues and support	1,498,548	1,471,783
Expenses:		
Program services:		
Education	636,743	571,373
Mobilization	806,414	808,554
Supporting services:		
Administrative	52,779	48,595
Fundraising	<u>77,387</u>	<u>121,427</u>
Total expenses	1,573,323	1,549,949
Gain on PPP loan forgiveness	<u>-</u>	<u>141,224</u>
Change in net assets without donor restrictions	(74,775)	63,058
<b>Net Assets with Donor Restrictions:</b>		
Donations	<u>20,000</u>	<u>-</u>
<b>Change in Net Assets</b>	(54,775)	63,058
<b>Net Assets at Beginning of Year</b>	<u>872,211</u>	<u>809,153</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 817,436</u></u>	<u><u>\$ 872,211</u></u>

The accompanying notes are an integral part of these financial statements.

**FIGHT THE NEW DRUG, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2021

	Program Services			Supporting Services		Total Functional Expenses
	Education	Mobilization	Total	Administrative	Fundraising	
Wages and benefits	\$ 518,635	\$ 470,765	\$ 989,400	\$ 32,426	\$ 61,645	\$ 1,083,471
Promotion	-	192,744	192,744	708	-	193,452
Supplies	1,723	2,088	3,811	106	1,891	5,808
Professional services	73,629	89,128	162,757	15,758	8,606	187,121
Office	7,689	10,666	18,355	1,189	883	20,427
Travel	147	4,365	4,512	29	118	4,659
Insurance	4,987	6,113	11,100	327	451	11,878
Depreciation	9,803	4,288	14,091	460	766	15,317
Other	-	-	-	-	569	569
Occupancy	20,130	26,257	46,387	1,776	2,458	50,621
Total	<u>\$ 636,743</u>	<u>\$ 806,414</u>	<u>\$ 1,443,157</u>	<u>\$ 52,779</u>	<u>\$ 77,387</u>	<u>\$ 1,573,323</u>

The accompanying notes are an integral part of this financial statement.

**FIGHT THE NEW DRUG, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2020

	Program Services			Supporting Services		Total Functional Expenses
	Education	Mobilization	Total	Administrative	Fundraising	
Wages and benefits	\$ 455,847	\$ 435,992	\$ 891,839	\$ 32,351	\$ 104,189	\$ 1,028,379
Promotion	1,328	183,413	184,741	-	-	184,741
Supplies	3,577	2,521	6,098	929	2,358	9,385
Professional services	68,230	90,994	159,224	9,446	9,911	178,581
Office	1,128	1,697	2,825	964	171	3,960
Travel	8,764	5,056	13,820	27	-	13,847
Insurance	4,814	6,927	11,741	502	979	13,222
Depreciation	9,454	4,136	13,590	443	739	14,772
Grants	-	50,000	50,000	-	-	50,000
Interest	-	-	-	724	-	724
Other	132	530	662	35	180	877
Occupancy	18,099	27,288	45,387	3,174	2,900	51,461
Total	<u>\$ 571,373</u>	<u>\$ 808,554</u>	<u>\$ 1,379,927</u>	<u>\$ 48,595</u>	<u>\$ 121,427</u>	<u>\$ 1,549,949</u>

The accompanying notes are an integral part of this financial statement.



**FIGHT THE NEW DRUG, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (54,775)	\$ 63,058
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Gain on PPP loan forgiveness	-	(141,224)
Accrued interest on PPP loan	-	724
Depreciation	15,317	14,772
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(25,534)	6,309
Inventory	19,530	(8,089)
Prepaid expenses	7,738	(105)
Accounts payable	(4,734)	(716)
Accrued expenses	(9,125)	17,188
Total adjustments	<u>3,192</u>	<u>(111,141)</u>
Net cash used by operating activities	(51,583)	(48,083)
<b>Cash Flows from Investing Activities:</b>		
Purchases of fixed assets	(13,111)	-
<b>Cash Flows from Financing Activities:</b>		
Proceeds from PPP loan	<u>-</u>	<u>140,500</u>
<b>Net Change in Cash</b>	(64,694)	92,417
<b>Cash at Beginning of Year</b>	<u>821,242</u>	<u>728,825</u>
<b>Cash at End of Year</b>	<u>\$ 756,548</u>	<u>\$ 821,242</u>

**Supplementary Data:**

The Organization paid no interest or income taxes during the years ended December 31, 2021 and 2020.

The accompanying notes are an integral part of these financial statements.

**FIGHT THE NEW DRUG, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Fight the New Drug, Inc. (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Organization**

The Organization was organized in the State of Utah in October 2008 for the purpose of providing individuals the opportunity to make an informed decision regarding pornography by raising awareness on its harmful effects using only science, facts, and personal accounts.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors.

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization has designated a portion of net assets to indicate that such assets (inventory and fixed assets) are not available for appropriation. All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor-imposed restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

*Net assets with donor restrictions* – Net assets that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to net assets without donor restrictions.

The Organization reports \$20,000 of donor-restricted net assets at December 31, 2021. This amount is restricted for the promotion of the Organization's documentary film.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

**Revenue Recognition**

The Organization recognizes revenue when cash, an unconditional promise to give, or grant award has been received.

**FIGHT THE NEW DRUG, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**Accounts and Contributions Receivable**

Accounts receivable represent amounts owed for services provided or expenses paid on behalf of others. Contributions receivable represent amounts received shortly after year end but dated in the year. The Organization has not established an allowance for doubtful accounts. The Organization believes all amounts are fully collectible.

**Inventory**

Inventory consists of apparel and other merchandise held for resale reported at the lower of cost or market.

**Fixed Assets**

All fixed assets are recorded at cost (or, if donated, at the estimated fair value at the date of donation). Fixed assets valued at \$1,000 or more are capitalized and depreciated, using the straight-line depreciation method, over the useful lives of 3 to 7 years.

**Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Direct costs are charged specifically to programs. Certain costs are allocated to one or more program or supporting functions based on time and effort or other measurable inputs. Such allocations are determined by management on an equitable basis.

**Donated Services**

The Organization recognized the value of online search advertising totaling \$120,000 as an in-kind donation for each of the years ended December 31, 2021 and 2020. The same amount has been recognized as an expense in the Mobilization program.

The Organization also has many individuals who volunteer their time and perform a variety of tasks; however, no amount has been reflected for such services.

**Tax Status**

The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (except for net income derived from unrelated business activities) and is classified as a Section 501(c)(3) public charity. Also, the Organization is not subject to state income taxes.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and support and expenses during the reporting period. Actual results could differ from those estimates.

**FIGHT THE NEW DRUG, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**Subsequent Events**

The Organization has evaluated subsequent events through March 14, 2022, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**NOTE 2 – FIXED ASSETS**

Fixed assets consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture	\$ 34,014	\$ 34,014
Computer equipment	<u>57,293</u>	<u>47,748</u>
	91,307	81,762
Accumulated depreciation	<u>(58,933)</u>	<u>(47,182)</u>
	<u>\$ 32,374</u>	<u>\$ 34,580</u>

Repairs and maintenance that do not significantly increase the useful life of the asset are charged to expense as incurred.

**NOTE 3 – FUNCTIONAL EXPENSES**

The statement of activities reflects expenses by functional area. The following is a description of the functional areas:

*Education* – develops creative ways to share research and personal accounts, in an effort to educate individuals on the harmful effects of pornography and its link to sex trafficking in order to fulfill our mission and catalyze a youth-driven movement.

*Mobilization* – transforms followers and passive observers, and empowers them to become advocates creating social change when it comes to pornography and all issues of sexual exploitation.

**NOTE 4 – OPERATING LEASE**

The Organization leases office space under a noncancelable operating lease expiring January 2024. Lease payments were \$44,412 and \$43,119 for the years ended December 31, 2021 and 2020, respectively. Future minimum payments due under this lease are as follows:

	<u>Year Ending December 31,</u>	
2022	\$ 45,741	
2023	47,117	
2024	3,936	

**FIGHT THE NEW DRUG, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 5 – CONCENTRATIONS OF RISK**

**Cash Deposits**

At December 31, 2021, the carrying amount of the Organization’s cash deposits was \$756,548 and the bank balance was \$756,547, of which \$250,000 was covered by federal depository insurance.

**Revenue and Support**

The Organization received a substantial portion of its donations 84 percent from two donors and 62 percent from four donors during the years ended December 31, 2021 and 2020, respectively.

**NOTE 6 – AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 756,548	\$ 821,242
Accounts receivable	26,631	1,097
Total financial assets	783,179	822,339
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>20,000</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 763,179</u>	<u>\$ 822,339</u>

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$400,000).

**NOTE 7 – PPP LOAN**

The Organization received loan proceeds of \$140,500 under the Paychecks Protection Program (PPP) during 2020. The PPP, established as part of Coronavirus Aid, Relief and Economic Security (CARES) Act, provides for loans to qualifying businesses. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes (including payroll, benefits, rent and utilities) and maintains its payroll levels.

The Organization has used the loan proceeds consistent with the PPP guidelines and the loan and accrued interest (\$724) were forgiven during the year ended December 31, 2020.