

**FIGHT THE NEW DRUG, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
Years Ended December 31, 2023 and 2022

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## 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, 2023 and 2022, 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, 2023 and 2022 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  
April 29, 2024

**FIGHT THE NEW DRUG, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 283,250	\$ 340,189
Accounts and contributions receivable	18,168	349,831
Prepaid expenses	5,337	5,243
Inventory	28,699	55,509
	<u>335,454</u>	<u>750,772</u>
Total current assets	335,454	750,772
<b>Net Fixed Assets</b>	17,319	27,596
<b>Operating Lease Right-of-Use Asset</b>	3,862	49,449
	<u>3,862</u>	<u>49,449</u>
Total assets	<u>\$ 356,635</u>	<u>\$ 827,817</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 8,091	\$ 25,447
Accrued expenses	39,449	44,907
Current portion of operating lease liability	3,926	46,243
Current portion of loan payable	11,523	-
	<u>62,989</u>	<u>116,597</u>
Total current liabilities	62,989	116,597
<b>Operating Lease Liability, less current portion</b>	-	3,926
	<u>-</u>	<u>3,926</u>
Total liabilities	62,989	120,523
<b>Net Assets:</b>		
Without donor restrictions:		
Designated for inventory and fixed assets	46,018	83,105
Undesignated	217,628	617,189
With donor restrictions	30,000	7,000
	<u>293,646</u>	<u>707,294</u>
Total net assets	293,646	707,294
Total liabilities and net assets	<u>\$ 356,635</u>	<u>\$ 827,817</u>

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

**FIGHT THE NEW DRUG, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2023 and 2022

	2023	2022
<b>Net Assets without Donor Restrictions:</b>		
Revenues and support:		
Donations	\$ 523,299	\$ 840,742
In-kind donations	115,643	120,000
Employee retention credit	29,066	326,085
Other revenue	2,062	3,279
Sale of merchandise:		
Revenue	155,952	282,886
Direct costs	(94,157)	(192,216)
Net sale of merchandise	61,795	90,670
Program service fees	51,614	53,279
Net assets released from restrictions	7,000	18,000
Total revenues and support	790,479	1,452,055
Expenses:		
Program services:		
Education	557,806	676,877
Mobilization	578,949	774,029
Supporting services:		
Administrative	40,637	51,197
Fundraising	49,735	47,094
Total expenses	1,227,127	1,549,197
Change in net assets without donor restrictions	(436,648)	(97,142)
<b>Net Assets with Donor Restrictions:</b>		
Donations	30,000	5,000
Net assets released from restrictions	(7,000)	(18,000)
Change in net assets with donor restrictions	23,000	(13,000)
<b>Change in Net Assets</b>	(413,648)	(110,142)
<b>Net Assets at Beginning of Year</b>	707,294	817,436
<b>Net Assets at End of Year</b>	\$ 293,646	\$ 707,294

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

**FIGHT THE NEW DRUG, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2023

	Program Services			Supporting Services		Total Functional Expenses
	Education	Mobilization	Total	Administrative	Fundraising	
Wages and benefits	\$ 442,901	\$ 365,318	\$ 808,219	\$ 29,703	\$ 29,037	\$ 866,959
Grants	4,204	-	4,204	-	-	4,204
Promotion	24,761	124,234	148,995	-	-	148,995
Supplies	1,237	428	1,665	-	1,242	2,907
Professional services	45,649	48,269	93,918	5,505	16,034	115,457
Office	1,219	1,378	2,597	154	104	2,855
Travel	737	1,795	2,532	-	-	2,532
Insurance	5,023	4,911	9,934	356	359	10,649
Depreciation	5,709	5,804	11,513	398	516	12,427
Interest	-	-	-	2,470	-	2,470
Occupancy	26,366	26,812	53,178	2,051	2,443	57,672
Total	<u>\$ 557,806</u>	<u>\$ 578,949</u>	<u>\$ 1,136,755</u>	<u>\$ 40,637</u>	<u>\$ 49,735</u>	<u>\$ 1,227,127</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, 2022

	Program Services			Supporting Services		Total Functional Expenses
	Education	Mobilization	Total	Administrative	Fundraising	
Wages and benefits	\$ 545,168	\$ 476,631	\$ 1,021,799	\$ 38,887	\$ 36,012	\$ 1,096,698
Grants	900	-		-	-	
Promotion	-	186,457	186,457	-	-	186,457
Supplies	3,082	1,657	4,739	29	1,628	6,396
Professional services	71,024	52,553	123,577	9,018	6,008	138,603
Office	9,574	11,661	21,235	670	674	22,579
Travel	8,876	8,713	17,589	1	-	17,590
Insurance	3,406	3,890	7,296	301	308	7,905
Depreciation	10,327	4,518	14,845	484	808	16,137
Other	118	120	238	1	2	241
Occupancy	24,402	27,829	52,231	1,806	1,654	55,691
Total	<u>\$ 676,877</u>	<u>\$ 774,029</u>	<u>\$ 1,450,006</u>	<u>\$ 51,197</u>	<u>\$ 47,094</u>	<u>\$ 1,548,297</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, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (413,648)	\$ (110,142)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Gain) loss on sale of fixed assets	(321)	63
Depreciation	12,427	16,137
Amortization of right-of-use asset	45,587	44,244
Changes in operating assets and liabilities:		
Accounts and contributions receivable	331,663	(323,200)
Prepaid expenses	(94)	(1,279)
Inventory	26,810	3,078
Accounts payable	(17,356)	11,321
Accrued expenses	(5,458)	(1,635)
Operating lease liability	(46,243)	(43,524)
Total adjustments	<u>347,015</u>	<u>(294,795)</u>
Net cash used by operating activities	(66,633)	(404,937)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of fixed assets	500	1,200
Purchases of fixed assets	<u>(2,329)</u>	<u>(12,622)</u>
Net cash used by investing activities	(1,829)	(11,422)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of loan payable	19,000	-
Principal payments on loan payable	<u>(7,477)</u>	<u>-</u>
Net cash provided by financing activities	<u>11,523</u>	<u>-</u>
<b>Net Change in Cash</b>	(56,939)	(416,359)
<b>Cash at Beginning of Year</b>	<u>340,189</u>	<u>756,548</u>
<b>Cash at End of Year</b>	<u>\$ 283,250</u>	<u>\$ 340,189</u>

**Supplementary Data:**

The Organization paid no income taxes during the years ended December 31, 2023 and 2022.

The Organization paid interest of \$2,470 and \$0 during the years ended December 31, 2023 and 2022, respectively.

The Organization recognized an operating lease right-of-use asset of \$93,693 and a corresponding operating lease liability during the year ended December 31, 2022.

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

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

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**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.

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**

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**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 the year end but dated in the year. The Organization has not established an allowance for credit losses. The Organization believes all amounts are fully collectable.

**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 functions 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 functions 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 advertising totaling \$115,643 and 120,000 as an in-kind donation for the years ended December 31, 2023 and 2022, respectively. 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**

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**Subsequent Events**

The Organization has evaluated subsequent events through April 29, 2024, 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>2023</u>	<u>2022</u>
Furniture	\$ 34,014	\$ 34,014
Computer equipment	<u>68,465</u>	<u>67,208</u>
	102,479	101,222
Accumulated depreciation	<u>(85,160)</u>	<u>(73,626)</u>
Net fixed assets	<u>\$ 17,319</u>	<u>\$ 27,596</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 with 3 percent escalating rent every 12 months through January 2024. Rent payments were \$47,117 and \$46,461 for the years ended December 31, 2023 and 2022, respectively. The lease was renewed in February 2024 for an additional year.

The weighted-average remaining lease term of the operating leases was 0.08 years at December 31, 2023. The weighted-average discount rate for the operating leases was 3 percent at December 31, 2023.

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

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Future minimum payments due under this lease are as follows:

	<u>Year Ending December 31,</u>	
	2024	\$ 3,936
Amount representing interest		<u>(10)</u>
Total lease liability		3,926
Current portion		<u>(3,926)</u>
Long-term portion		<u><u>\$ -</u></u>

**NOTE 5 – CONCENTRATIONS OF RISK**

**Cash Deposits**

At December 31, 2023, the carrying amount of the Organization’s cash deposits and the bank balance was \$283,250, of which \$250,000 was covered by federal depository insurance.

**Revenue and Support**

The Organization received a substantial portion of its donations, 10 percent from one donor and 30 percent from one donor during the years ended December 31, 2023 and 2022, respectively.

**NOTE 6 – LOAN PAYABLE**

In July 2023, the Organization entered into a \$19,000 loan agreement to provide funding to restock merchandise. The loan requires loan payments each day that the Organization sells merchandise at 17 percent of the gross dollar amount of sales. The cost of financing paid and charged to interest in 2023 was \$2,470 (13 percent interest rate).

**NOTE 7 – RELATED PARTY TRANSACTIONS**

Board members or organizations affiliated with board members of the Organization contributed \$0 and \$132,500 during the years ended December 31, 2023 and 2022, respectively.

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

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**NOTE 8 – AVAILABILITY AND LIQUIDITY**

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

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash	\$ 283,250	\$ 340,189
Accounts and contributions receivable	<u>18,168</u>	<u>349,831</u>
Total financial assets	301,418	690,020
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(30,000)</u>	<u>(7,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 271,418</u>	<u>\$ 697,020</u>

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$300,000). Operating expenses are defined as total expenses less depreciation.