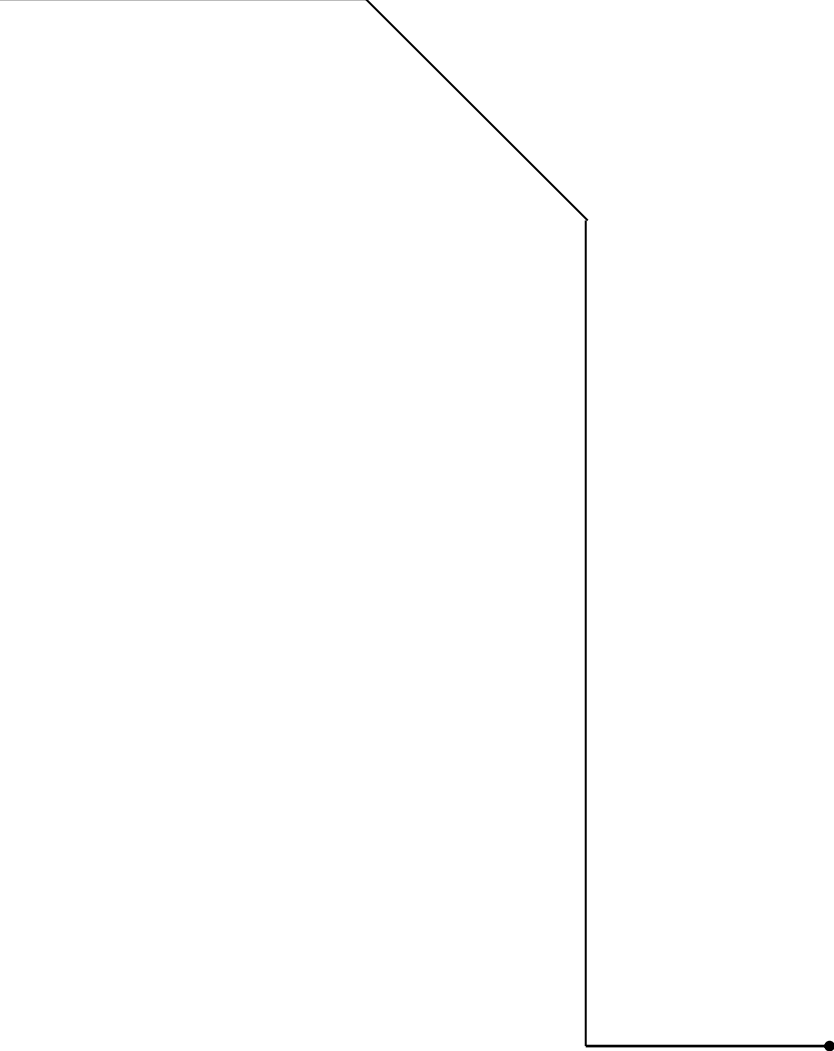


**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2022 AND 2021



SHIELD 616, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8



INDEPENDENT AUDITOR'S REPORT

September 5, 2023

Board of Directors
Shield 616, Inc.
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of Shield 616, Inc. (a Colorado not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2022, 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 Shield 616, Inc. as of December 31, 2022 and 2021, and the changes in its net assets, functional expenses and its cash flows for the year ended December 31, 2022 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 Shield 616, 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.

SSA, P.C.
Certified Public Accountants

3355 American Drive
Colorado Springs, CO 80917-5707
719.574.0100
fax.380.9631
www.4ways.com

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Shield 616, Inc.'s ability to continue as a going concern within one year after the date that the 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 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. 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 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 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 Shield 616, 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, which raise substantial doubt about Shield 616, 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.



Colorado Springs, Colorado

SHIELD 616, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,271,410	\$ 1,018,888
Accounts receivable	-	56,000
Inventories	141,400	218,572
Prepaid expenses	144,869	170,043
TOTAL CURRENT ASSETS	1,557,679	1,463,503
PROPERTY AND EQUIPMENT:		
Computers	2,772	2,772
Equipment	955	955
Vehicles and trailers	81,350	68,641
Trademark	2,105	2,105
	87,182	74,473
Accumulated depreciation	(21,537)	(47,024)
NET PROPERTY AND EQUIPMENT	65,645	27,449
TOTAL ASSETS	\$ 1,623,324	\$ 1,490,952

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

SHIELD 616, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 34,088	\$ 57,132
Current portion of notes payable	<u>9,439</u>	<u>11,005</u>
TOTAL CURRENT LIABILITIES	<u>43,527</u>	<u>68,137</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	<u>59,646</u>	<u>19,044</u>
TOTAL LONG-TERM LIABILITIES	<u>59,646</u>	<u>19,044</u>
TOTAL LIABILITIES	<u>103,173</u>	<u>87,181</u>
NET ASSETS:		
Without donor restrictions	812,206	1,064,410
With donor restrictions	<u>707,945</u>	<u>339,361</u>
TOTAL NET ASSETS	<u>1,520,151</u>	<u>1,403,771</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,623,324</u>	<u>\$ 1,490,952</u>

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

SHIELD 616, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT:			
Donations and sponsorships	\$ 1,160,406	\$ 1,364,084	\$ 2,524,490
Merchandise sales	40,141	-	40,141
Interest income	2,936	-	2,936
Other Income	7,605	-	7,605
Gain on disposal of property assets	4,442	-	4,442
Net assets released from restrictions	995,500	(995,500)	-
TOTAL REVENUE AND SUPPORT:	2,211,030	368,584	2,579,614
EXPENSES:			
Program services	2,126,413	-	2,126,413
Supporting services:			
Management and general	146,508	-	146,508
Fundraising	190,313	-	190,313
Total supporting activities	336,821	-	336,821
TOTAL EXPENSES:	2,463,234	-	2,463,234
CHANGE IN NET ASSETS	(252,204)	368,584	116,380
NET ASSETS:			
Beginning of the year	1,064,410	339,361	1,403,771
End of the year	\$ 812,206	\$ 707,945	\$ 1,520,151

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

SHIELD 616, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Advertising and sponsorships	\$ -	\$ -	\$ 111	\$ 111
Armor packages donated	1,654,747	-	-	1,654,747
Bank fees and service charges	-	-	13,455	13,455
Communication	1,410	3,878	1,763	7,051
Depreciation	10,708	1,785	1,785	14,278
Fundraising events and gifts	-	-	76,639	76,639
Insurance	15,336	3,287	3,287	21,910
Interest expense	2,452	-	-	2,452
Legal and professional	-	24,442	-	24,442
Licenses	-	-	7,267	7,267
Office supplies	-	3,108	-	3,108
Other general and administrative	-	12,779	1,022	13,801
Payroll taxes	21,809	4,673	4,673	31,155
Salaries and wages	305,550	65,475	65,475	436,500
Supplies	67,415	-	-	67,415
Technology	17,922	26,884	5,257	50,063
Travel	28,147	-	9,382	37,529
Workers compensation insurance	917	197	197	1,311
	<u>\$ 2,126,413</u>	<u>\$ 146,508</u>	<u>\$ 190,313</u>	<u>\$ 2,463,234</u>

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

SHIELD 616, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 116,380
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	14,278
Gain on disposal of property assets	(4,442)
Changes in:	
Accounts receivable	56,000
Inventories	77,172
Prepaid expenses	25,174
Accrued expenses	<u>(23,044)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>261,518</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(75,032)
Proceeds from sale of property asset	<u>27,000</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(48,032)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from loan	73,582
Principal payments on loans	<u>(34,546)</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>39,036</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 252,522

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,018,888

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,271,410

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest \$ 2,452

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

SHIELD 616, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

A. Nature of Organization:

Shield 616, Inc. (the Organization), located in Colorado Springs, Colorado, is a 501(c)(3) not-for-profit organization established in November 2015. The Organization was founded with the mission of providing all-day rifle protection for peace officers and first responders.

The Organization donates armor packages to peace officers and first responders. These armor packages include rifle plates, helmets, carriers, and medical kits.

B. Summary of Significant Accounting and Reporting Policies:

Basis of Presentation:

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets of the Organization and changes therein are classified based on the existence or absence of donor-imposed restrictions:

Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations, other restrictions, or whose restrictions has been fulfilled. Revenues are generally reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions.

With Donor Restrictions: Net assets subject to donor-imposed restrictions require resources to be used for a specific purpose and/or the passage of time. Specific purpose restrictions were identified in the current year. Passage of time restrictions were not identified in the current year. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments, with an initial maturity of three months or less, to be cash equivalents. This includes cash on hand, demand deposits, and money market accounts.

Inventories:

Inventories consist of armor plates, carriers, helmets, medical kits, and merchandise. Inventories are valued at the lower of cost or net realizable value using the first-in, first-out method.

SHIELD 616, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

B. Summary of Significant Accounting and Reporting Policies (Continued):

Property and Equipment:

Property and equipment is valued at cost or fair market value at the date of donation for donated items. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Computers and equipment	5 years
Vehicles and trailers	6 years
Trademark	10 years

Expenditures for maintenance and repairs of a routine nature are charged to expense as incurred, whereas expenditures that appreciably extend the useful life of an asset are added to the cost of the asset.

Impairment of Long-Lived Assets:

Management reviews for impairment of long-lived assets and intangible assets to be held and used in the Organization operations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management deems the long-lived and/or intangible assets to be impaired if estimated expected undiscounted future cash flows are less than the carrying amount of the assets. Estimates of expected future cash flows are based on management's best estimates of anticipated operating results over the remaining useful lives of the assets. For the year ended December 31, 2022, no impairment existed.

Functional Allocation of Expenses:

The statement of activities reports expenses by functional classification. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

SHIELD 616, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

B. Summary of Significant Accounting and Reporting Policies (Continued):

Income Taxes:

No provision has been made for federal or state income taxes as the Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management performs an annual analysis of the Organization's various tax positions, assessing the likelihood of those positions being upheld upon examination by relevant taxing authorities. Management believes the Organization has conducted its operations in accordance with applicable income tax reporting requirements, has properly maintained its tax-exempt status, and has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Use of Estimates:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain 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 expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Donations and Sponsorships:

Donations and sponsorships received are recorded as with or without donor restrictions, depending on the existence or nature of any donor restrictions. All donations are considered to be without donor restrictions unless specifically restricted by a donor or grantor. The Organization reports donations of cash and in-kind donations as with donor restrictions if they are received to support specific projects. Donations received to the program project or received directly and not containing a donor restriction are classified as without donor restrictions. When a donor restriction expires - that is, when a stipulated time restriction ends, or purpose restriction is accomplished - restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

From time to time, the Organization receives donations of nonfinancial assets such as inventory or services. The Organization records these donations at fair market value at the time of receipt. At December 31 2022 and 2021, donated inventory was valued at \$-0- and \$172,000, respectively, which is included in donations and sponsorships in the statement of activities. Donated nonfinancial assets are used within the Organizations program services.

SHIELD 616, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

C. Liquidity and Funds Available:

The Organization maintains its cash at a single financial institution located in Colorado Springs, Colorado. Accounts at this institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022 and 2021, the balance held within these accounts was:

	<u>2022</u>	<u>2021</u>
Bank balance	\$ 981,179	\$ 735,757
FDIC insurance limit	<u>250,000</u>	<u>250,000</u>
Balance not covered by FDIC	<u>\$ 731,179</u>	<u>\$ 485,757</u>

D. Inventories:

The Organization's inventory consists of Inventory - kits (armor, helmets, carriers, medical kits, and utility pouches) and Inventory - merchandise (shirts, bags, hats, and other items). Inventories consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Inventory - kits	\$ 112,960	\$ 205,330
Inventory - merchandise	<u>28,440</u>	<u>13,242</u>
	<u>\$ 141,400</u>	<u>\$ 218,572</u>

E. Net Assets With and Without Donor Restrictions:

The Organization receives donations directly via cash or check to the Organization's bank accounts. Donors may choose to specify departments or officers for which the donation is to be used. The Organization considers donations received to purchase inventory for its armor package donations to first responders as with donor restrictions for that purpose. Donations received to the program project or received without any specified purpose or time restriction are considered as without donor restrictions. Net assets with donor restrictions as of December 31, 2022 and 2021, were \$707,945 and \$339,361, respectively. Net assets without donor restrictions as of December 31, 2022 and 2021, were \$812,206 and \$1,064,410, respectively.

Net assets released from donor-imposed restrictions as a result of meeting specified purpose or time restrictions for the year ended December 31, 2022 were \$995,500.

SHIELD 616, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

F. Notes Payable:

Notes payable consisted of the following at December 31, 2022 and 2021:

	2022	2021
Note payable (A)	\$ -	\$ 30,049
Note payable (B)	69,085	-
	69,085	30,049
Less: current maturities	(9,439)	(11,005)
Long-term debt, net of current maturities	\$ 59,646	\$ 19,044

(A) Note payable to a financial institution payable \$1,069 monthly included interest at 6.90 percent. This note was fully repaid through the sale of the underlying vehicle.

(B) Note payable to a financial institution payable \$1,015.70 monthly including interest at 4.24 percent. The note matures May 2029 and is secured by a vehicle.

Maturities of long-term debt are as follows:

YEARS ENDED DECEMBER 31,	Amount
2023	\$ 9,439
2024	9,847
2025	10,273
2026	10,717
2027	11,180
Thereafter	17,629
	\$ 69,085

G. Contingencies:

From time to time, the Organization may become involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Organization is a party for which management believes the ultimate outcome would have a material adverse effect on the Organization's financial position.

SHIELD 616, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

H. Concentrations of Credit Risk:

Concentration risk may be present when an organization receives substantial donations from a single donor or entity. For the year ended December 31, 2022, the Organization received 16 percent of total donations and sponsorship support from one foundation which is donor advised funds made up of smaller contributions from numerous individuals. For the year ended December 31, 2021, the Organization received 32 percent of total donations and sponsorship support from two foundations which are donor advised fund made up of smaller contributions from numerous individuals.

I. Commitments:

On May 21, 2019, the Organization entered into a three-year software agreement (2020 – 2022). The amounts due under this contract are billed annually (approximately \$41,000 per year). The amounts due for 2022 and 2021 usage of the software was paid during the years ended December 31, 2021 and 2020 and is included in prepaid expenses on the statements of financial position. On August 31, 2022, the Organization entered into a new four-year software agreement (2023 – 2026). Amounts due under this contract are billed annually (approximately \$20,800 per year). Amounts due for 2023 are included in prepaid expenses on the statements of financial position.

J. COVID-19:

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2022 and the subsequent extension of the CARES Act, the Organization was eligible for refundable Employee Retention Credits subject to certain criteria. The Organization recognized credits of \$84,000 during the year ended December 31, 2021 and collected \$56,000 and \$28,000 during the years ending December 31, 2022 and 2021.

K. Subsequent Events:

The Organization had no additional subsequent events through the date of the Independent Auditor’s Report, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2022.