

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

**DECEMBER 31, 2023 AND 2022**



**SHIELD 616, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

July 16, 2024

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2023, 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, 2023 and 2022, and the changes in its net assets, functional expenses and its cash flows for the year ended December 31, 2023 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

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Board of Directors  
Shield 616, Inc.  
July 16, 2024

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.

A handwritten signature in black ink, appearing to read "SSA, P.C.", is written in a cursive, stylized font.

Colorado Springs, Colorado

**SHIELD 616, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

<b>ASSETS</b>		
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 987,718	\$ 1,271,410
Inventories	32,810	141,400
Prepaid expenses	<u>319,233</u>	<u>144,869</u>
TOTAL CURRENT ASSETS	<u>1,339,761</u>	<u>1,557,679</u>
PROPERTY AND EQUIPMENT:		
Computers	2,772	2,772
Equipment	955	955
Vehicles and trailers	143,842	81,350
Trademark	<u>2,105</u>	<u>2,105</u>
	149,674	87,182
Accumulated depreciation and amortization	<u>(30,945)</u>	<u>(21,537)</u>
NET PROPERTY AND EQUIPMENT	<u>118,729</u>	<u>65,645</u>
TOTAL ASSETS	<u><u>\$ 1,458,490</u></u>	<u><u>\$ 1,623,324</u></u>

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

**SHIELD 616, INC.**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**DECEMBER 31, 2023 AND 2022**

**LIABILITIES AND NET ASSETS**

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,986	\$ 34,088
Current portion of long-term debt	<u>9,847</u>	<u>9,439</u>
TOTAL CURRENT LIABILITIES	<u>11,833</u>	<u>43,527</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	<u>49,799</u>	<u>59,646</u>
TOTAL LONG-TERM LIABILITIES	<u>49,799</u>	<u>59,646</u>
TOTAL LIABILITIES	<u>61,632</u>	<u>103,173</u>
NET ASSETS:		
Without donor restrictions	949,547	812,206
With donor restrictions	<u>447,311</u>	<u>707,945</u>
TOTAL NET ASSETS	<u>1,396,858</u>	<u>1,520,151</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,458,490</u>	<u>\$ 1,623,324</u>

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

**SHIELD 616, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2023**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT:			
Donations and sponsorships	\$ 1,408,553	\$ 1,018,262	\$ 2,426,815
Contributed non-financial assets	62,492	-	62,492
Merchandise sales	39,847	-	39,847
Interest income	9,560	-	9,560
Other Income	5,548	-	5,548
Net assets released from restrictions	<u>1,278,896</u>	<u>(1,278,896)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT:	<u>2,804,896</u>	<u>(260,634)</u>	<u>2,544,262</u>
EXPENSES:			
Program services	2,388,727	-	2,388,727
Supporting services:			
Management and general	107,271	-	107,271
Fundraising	<u>171,557</u>	<u>-</u>	<u>171,557</u>
Total supporting activities	<u>278,828</u>	<u>-</u>	<u>278,828</u>
TOTAL EXPENSES:	<u>2,667,555</u>	<u>-</u>	<u>2,667,555</u>
CHANGE IN NET ASSETS	137,341	(260,634)	(123,293)
NET ASSETS:			
Beginning of the year	<u>812,206</u>	<u>707,945</u>	<u>1,520,151</u>
End of the year	<u><u>\$ 949,547</u></u>	<u><u>\$ 447,311</u></u>	<u><u>\$ 1,396,858</u></u>

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

**SHIELD 616, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2023**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Advertising and sponsorships	\$ -	\$ -	\$ 1,313	\$ 1,313
Armor packages donated	2,004,500	-	-	2,004,500
Bank fees and service charges	-	-	13,685	13,685
Communication	1,513	4,161	1,891	7,565
Depreciation	7,056	1,176	1,176	9,408
Fundraising events and gifts	-	-	68,845	68,845
Insurance	15,938	3,415	3,415	22,768
Interest expense	2,749	-	-	2,749
Legal and professional	-	22,396	-	22,396
Licenses	-	-	13,312	13,312
Office supplies	-	2,311	-	2,311
Other general and administrative	-	8,719	1,395	10,114
Payroll taxes	17,232	3,692	3,692	24,616
Salaries and wages	217,176	46,537	46,537	310,250
Supplies	78,490	-	-	78,490
Technology	9,802	14,704	4,962	29,468
Travel	33,523	-	11,174	44,697
Workers compensation insurance	748	160	160	1,068
	<u>\$ 2,388,727</u>	<u>\$ 107,271</u>	<u>\$ 171,557</u>	<u>\$ 2,667,555</u>

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



**SHIELD 616, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Decrease in net assets	\$ (123,293)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	9,408
Contributed vehicle	(62,492)
Changes in:	
Inventories	108,590
Prepaid expenses	(174,364)
Accrued expenses	<u>(32,102)</u>

NET CASH USED IN OPERATING ACTIVITIES	<u>(274,253)</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Principal payments on loans	<u>(9,439)</u>
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NET CASH USED IN FINANCING ACTIVITIES	<u>(9,439)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(283,692)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,271,410</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 987,718</u></u>
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**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid for interest	<u><u>\$ 2,749</u></u>
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The accompanying notes are an integral part of these financial statements.

**SHIELD 616, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

**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:**

The Organization primarily relies on drop-shipments for inventory. Inventories consist of 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, 2023 AND 2022**

**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	5 years
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.

Depreciation expense totaled \$9,408 for the year ended December 31, 2023.

**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, 2023, 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, 2023 AND 2022**

**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.

**SHIELD 616, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

**C. Availability and Liquidity:**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following on December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 987,718	\$ 1,271,410
Inventories	<u>32,810</u>	<u>141,400</u>
Total financial assets	<u>1,020,528</u>	<u>1,412,810</u>
Less amounts unavailable for general expenditures within one year:		
Net assets with donor restrictions	<u>(447,311)</u>	<u>(707,945)</u>
Financial assets available to meet cash general expenditures within one year	<u><u>\$ 573,217</u></u>	<u><u>\$ 704,865</u></u>

The Organization has a goal to have a working capital reserve sufficient to keep operating at least a three-month period. As part of the Organizations liquidity management plan, excess cash is invested in short-term investments, including a money market account.

**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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Inventory - kits	\$ -	\$ 112,960
Inventory - merchandise	<u>32,810</u>	<u>28,440</u>
	<u><u>\$ 32,810</u></u>	<u><u>\$ 141,400</u></u>

**SHIELD 616, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

**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, 2023 and 2022, were \$447,311 and \$707,945, respectively. Net assets without donor restrictions as of December 31, 2023 and 2022, were \$949,547 and \$812,206, respectively.

Net assets released from donor-imposed restrictions as a result of meeting specified purpose or time restrictions for the year ended December 31, 2023 were \$1,278,896.

**F. Long-Term Debt:**

Long-Term Debt consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Note payable (A)	\$ 59,646	\$ 69,085
Less: current maturities	<u>(9,847)</u>	<u>(9,439)</u>
Long-term debt, net of current maturities	<u>\$ 49,799</u>	<u>\$ 59,646</u>

(A) 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.

Aggregate annual maturities of long-term debt at December 31, 2023 are:

YEARS ENDED DECEMBER 31,	<u>Amount</u>
2024	\$ 9,847
2025	10,273
2026	10,717
2027	11,180
2028	11,664
Thereafter	<u>5,965</u>
	<u>\$ 59,646</u>

**SHIELD 616, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

**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.

**H. Concentrations of Credit Risk:**

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). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and equivalents.

At December 31, 2023 and 2022, the Organization had \$200,280 and \$731,179, respectively, of cash amounts in excess of insured limits.

Concentration risk may be present when an organization receives substantial donations from a single donor or entity. For the year ended December 31, 2023, the Organization received 21 percent of total donations and sponsorship support from one donor. For the year ended December 31, 2022, the Organization received 16 percent of total donations and sponsorship support from one foundation which is comprised of donor advised funds made up of smaller contributions from numerous individuals.

**SHIELD 616, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

**I. Contributed Nonfinancial Assets:**

The Organization received the following contributions of nonfinancial assets for the years ending December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Vehicles and trailers	<u>\$ 62,492</u>	<u>\$ -</u>

Contributed vehicles and trailers received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to vehicles and trailers. Contributed property and equipment are recorded at their fair market value at the time of donation and were utilized in the Organization's program services.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities for these fundraising and special projects services because the criteria for recognition have not been satisfied.

**J. Commitments:**

On August 31, 2022, the Organization entered into a four-year software agreement (2023 – 2026). Amounts due under this contract are billed annually (approximately \$20,800 per year). Amounts due for 2024 are included in prepaid expenses on the statements of financial position.

**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, 2023.