

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2015 and 2014

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Financial Statements
December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Students for Sensible Drug Policy Foundation and Affiliate

We have audited the accompanying consolidated financial statements of Students for Sensible Drug Policy Foundation and Affiliate (collectively, SSDP), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

Auditor's Responsibility (continued)

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 SSDP as of December 31, 2015 and 2014, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 13-18 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Vienna, Virginia
July 14, 2016

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statements of Financial Position December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 336,484	\$ 336,173
Accounts receivable	266	94
Prepaid expenses and deposits	6,611	5,600
Property and equipment, net	3,331	4,811
	<hr/>	<hr/>
Total assets	<u>\$ 346,692</u>	<u>\$ 346,678</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 8,295	\$ 27,974
	<hr/>	<hr/>
Total liabilities	<u>8,295</u>	<u>27,974</u>
Net Assets		
Unrestricted	223,723	311,704
Temporarily restricted	114,674	7,000
	<hr/>	<hr/>
Total net assets	<u>338,397</u>	<u>318,704</u>
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Total liabilities and net assets	<u>\$ 346,692</u>	<u>\$ 346,678</u>

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Activities For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and grants	\$ 430,992	\$ 170,000	\$ 600,992
In-kind contributions	42,496	-	42,496
Sponsorships	145	-	145
Conferences	3,969	-	3,969
Sales	1,487	-	1,487
Other income	12,152	-	12,152
Interest income	12	-	12
Released from restriction	62,326	(62,326)	-
Total revenue and support	553,579	107,674	661,253
Expenses			
Program services	495,348	-	495,348
Management and general	54,705	-	54,705
Fundraising	91,507	-	91,507
Total expenses	641,560	-	641,560
Change in Net Assets	(87,981)	107,674	19,693
Net Assets, beginning of year	311,704	7,000	318,704
Net Assets, end of year	\$ 223,723	\$ 114,674	\$ 338,397

See accompanying notes.

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and grants	\$ 434,082	\$ 7,000	\$ 441,082
In-kind contributions	588	-	588
Sponsorships	24,500	-	24,500
Conferences	22,939	-	22,939
Sales	1,878	-	1,878
Other income	14,060	-	14,060
Interest income	17	-	17
	<hr/>	<hr/>	<hr/>
Total revenue and support	498,064	7,000	505,064
	<hr/>	<hr/>	<hr/>
Expenses			
Program services	340,307	-	340,307
Management and general	58,764	-	58,764
Fundraising	76,610	-	76,610
	<hr/>	<hr/>	<hr/>
Total expenses	475,681	-	475,681
	<hr/>	<hr/>	<hr/>
Change in Net Assets	22,383	7,000	29,383
Net Assets, beginning of year	289,321	-	289,321
	<hr/>	<hr/>	<hr/>
Net Assets, end of year	\$ 311,704	\$ 7,000	\$ 318,704
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes.

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statements of Cash Flows For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 19,693	\$ 29,383
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,480	1,669
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(172)	74,386
Prepaid expenses and deposits	(1,011)	(2,065)
Decrease in:		
Accounts payable	(19,679)	(3,135)
	311	100,238
Cash Flows from Investing Activity		
Purchase of fixed assets	-	(1,715)
	-	(1,715)
Net cash used in investing activity	-	(1,715)
Cash Flows from Financing Activity		
Payment of loan	-	(40,189)
	-	(40,189)
Net cash used in financing activity	-	(40,189)
Net Increase in Cash and Cash Equivalents	311	58,334
Cash and Cash Equivalents, beginning of year	336,173	277,839
Cash and Cash Equivalents, end of year	\$ 336,484	\$ 336,173

See accompanying notes.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. Nature of Operations

The accompanying consolidated financial statements include the accounts of the Students for Sensible Drug Policy Foundation (“SSDP Foundation”) and Students for Sensible Drug Policy, Inc. (“SSDP, Inc.”).

SSDP Foundation is a 501(c)(3) organization that engages in education and outreach and is committed to providing education on the harms caused by the War on Drugs, working to involve youth in the political process, and promoting an open, honest, and rational discussion of alternative solutions to our nation’s drug problems.

SSDP, Inc. is a 501(c)(4) organization that engages in advocacy, or attempts to effect change to law and policy.

2. Summary of Significant Accounting Policies

Principles of Consolidation

SSDP Foundation has a controlling financial interest in SSDP, Inc. Significant balances and transactions between SSDP Foundation and its affiliate have been eliminated in the consolidation. Except when referred to separately, the entities are collectively referred to as “SSDP” throughout the accompanying consolidated financial statements and related notes.

Basis of Accounting and Presentation

The consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of SSDP’s operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of SSDP or by the passage of time. There were \$114,674 and \$7,000 in temporarily restricted net assets at December 31, 2015 and 2014, respectively.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

SSDP considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. At December 31, 2015, SSDP had undeposited funds included in cash and cash equivalents of \$51,259.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Uncollectible accounts are written-off in the year in which they are identified. SSDP does not maintain an allowance for doubtful accounts, but does monitor and estimate the amount of any uncollectible balances throughout the year.

Property and Equipment

Property and equipment with a cost in excess of \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in revenue or expenses. Repair and maintenance costs are expensed as incurred.

Revenue Recognition

All contribution revenue is considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increase these net asset classes. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue from conferences and programs is recognized at the time the events are held, with any amounts received in advance deferred until that time.

Revenue from other sources is recognized when earned.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

Donated noncash items are recorded as support at their estimated fair values at the date of donation. Donated services are recognized if the services received create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these consolidated financial statements, SSDP has evaluated events and transactions for potential recognition or disclosure through July 14, 2016, the date the consolidated financial statements were available to be issued.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

3. Concentration of Credit Risk

Financial instruments that potentially subject SSDP to significant concentrations of credit risk consist of cash and cash equivalents. SSDP maintains various cash deposit and transaction accounts with various financial institutions that from time to time could exceed insurable limits under the Federal Depository Insurance Corporation (FDIC). SSDP has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Property and Equipment

Property and equipment consists of the following at December 31:

	2015	2014
Property and equipment	\$ 19,990	\$ 19,990
Less: accumulated depreciation	(16,659)	(15,179)
Property and equipment, net	<u>\$ 3,331</u>	<u>\$ 4,811</u>

5. Loan Payable

During 2013, SSDP Foundation entered into a loan agreement with Multidisciplinary Association for Psychedelic Studies in order to fund general operations. The loan was for \$40,000 with an interest rate of 5% per annum for a period of five months.

The loan was repaid, in full, on January 10, 2014, with interest totaling \$189.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2015	2014
Pacific Region Development	\$ 64,515	\$ -
Campus Campaign	47,158	-
Time restricted	3,001	7,000
Total temporarily restricted net assets	<u>\$ 114,674</u>	<u>\$ 7,000</u>

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

7. Commitments and Contingencies

Operating Leases

SSDP Foundation entered into a lease agreement for office space on January 28, 2012 in Washington, DC. The lease term was for two years, commencing on February 9, 2012 and expired on February 28, 2014. On February 26, 2014, SSDP Foundation entered into a new lease agreement for the same office space. The lease term was for two years with an option to extend for an additional two years. The new lease commenced on March 7, 2014 and expired on March 31, 2016, but was extended for one additional year until April 1, 2017. The lease has a base rent escalation term of 3% per year. The difference between rental expense recognized on the straight-line basis and the excess of rental expense recognized over cash payments is not recorded in the accompanying consolidated statements of financial position due to immateriality. SSDP Foundation is responsible for its proportionate share of operating costs. Rent expense totaled \$36,318 and \$28,585 for the years ended December 31, 2014 and 2013, respectively.

In addition, SSDP Foundation entered into an office space lease agreement in Denver, CO for a period of one year commencing December 1, 2015 and expiring November 30, 2016 with a base monthly payment of \$333.

Office space in Oakland, CA is donated to SSDP Foundation. In 2015, SSDP Foundation received two months of donated rent in the amount of \$3,750, which was recorded as an in-kind contribution and rent expense in the accompanying consolidated statements of activities.

Future minimum lease payments for the above leases are as follows for the years ending December 31:

2016	\$	36,602
2017		<u>11,033</u>
Total future minimum lease payments	\$	<u><u>47,635</u></u>

Hotel Agreements

Meetings and conferences are held by SSDP at various hotels throughout the United States. These events are contracted with the hotels in advance. In the event that SSDP cancels its agreements with the hotels, it can be held liable for liquidated damages up to the amount of lost profit less the hotel's mitigation, depending upon the date of cancellation.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

8. In-Kind Contributions

In-kind contributions of goods and services have been reflected in the accompanying consolidated statements of activities and consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Legal and consulting	\$ 20,326	\$ 588
Marketing	12,750	-
Booth	3,995	-
Rent	3,750	-
Travel	1,475	-
Event	200	-
	<u>42,496</u>	<u>588</u>
Total in-kind contributions	<u>\$ 42,496</u>	<u>\$ 588</u>

9. Income Taxes

SSDP Foundation and SSDP, Inc. are exempt from payment of taxes on income other than unrelated business income under Sections 501(c)(3) and 501(c)(4), respectively, of the Internal Revenue Code. No tax expense is recorded in the accompanying consolidated financial statements for the year ended December 31, 2015 and 2014, as there were no significant unrelated business activities. Management evaluated SSDP's tax positions and has concluded that SSDP has taken no uncertain tax positions that require either recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

Students for Sensible Drug Policy and Affiliate

Consolidated Schedule of Functional Expenses For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Personnel expenses	\$ 302,668	\$ 44,142	\$ 61,910	\$ 408,720
Awards	60	-	-	60
Bank service charges	579	57	268	904
Credit card fees	107	-	1,956	2,063
Books and information	10	-	-	10
Contributions	-	-	600	600
Conference and training	8,139	8	690	8,837
Scholarship	1,150	-	-	1,150
Depreciation	1,117	141	222	1,480
Dues/subs/reference	290	3	49	342
Event and conference	17,144	-	1,856	19,000
Honorarium	950	-	-	950
Insurance	2,492	370	505	3,367
Licenses and permits	192	29	39	260
Postage and delivery	2,441	31	296	2,768
Printing and reproduction	5,247	55	930	6,232
Legal fees	10,283	661	3,105	14,049
Accounting fees	12,336	1,834	2,501	16,671
Outside contract services	25,787	1,403	1,913	29,103
Consulting	14,150	-	-	14,150
Rent	26,875	3,995	5,448	36,318
Repairs and maintenance	98	15	20	133
Supplies	2,809	70	444	3,323
Information technology	5,871	11	2,500	8,382
Office expense	7,995	990	1,815	10,800
Telecommunications	9,628	838	2,104	12,570
Travel and entertainment	36,041	-	2,306	38,347
Program expense	741	-	-	741
Miscellaneous	148	52	30	230
Total Expenses	\$ 495,348	\$ 54,705	\$ 91,507	\$ 641,560

Students for Sensible Drug Policy and Affiliate

Consolidated Schedule of Functional Expenses For the Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Personnel expenses	\$ 176,872	\$ 49,480	\$ 36,799	\$ 263,151
Advertising	63	7	7	77
Awards	60	-	-	60
Bank service charges	300	90	55	445
Credit card fees	565	27	5,865	6,457
Books and information	49	10	9	68
Contributions	150	-	-	150
Conference and training	1,052	43	335	1,430
Scholarship	6,147	-	-	6,147
Depreciation	1,208	240	221	1,669
Dues/subs/reference	93	-	150	243
Event and conference	36,885	14	5,103	42,002
Insurance	2,860	569	523	3,952
Interest expense	74	15	13	102
Licenses and permits	433	86	79	598
Postage and delivery	2,301	-	-	2,301
Printing and reproduction	3,750	14	440	4,204
Legal fees	-	-	7,558	7,558
Accounting fees	8,326	1,656	1,521	11,503
Outside contract services	40,750	44	911	41,705
Rent	20,691	4,114	3,780	28,585
Supplies	830	20	456	1,306
Information technology	4,113	2	1,081	5,196
Office expense	11,638	1,672	2,311	15,621
Telecommunications	4,732	617	1,010	6,359
Travel and entertainment	14,648	44	8,383	23,075
Program expense	25	-	-	25
Pass-thru	1,692	-	-	1,692
Total Expenses	\$ 340,307	\$ 58,764	\$ 76,610	\$ 475,681

Students for Sensible Drug Policy and Affiliate

Consolidating Schedule of Financial Position
December 31, 2015

	SSDP Foundation	SSDP, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 327,083	\$ 9,401	\$ -	\$ 336,484
Accounts receivable	266	-	-	266
Prepaid expenses and deposits	6,611	-	-	6,611
Property and equipment, net	3,331	-	-	3,331
Total assets	<u>\$ 337,291</u>	<u>\$ 9,401</u>	<u>\$ -</u>	<u>\$ 346,692</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 8,295	\$ -	\$ -	\$ 8,295
Total liabilities	<u>8,295</u>	<u>-</u>	<u>-</u>	<u>8,295</u>
Net Assets				
Unrestricted	214,322	9,401	-	223,723
Temporarily restricted	114,674	-	-	114,674
Total net assets	<u>328,996</u>	<u>9,401</u>	<u>-</u>	<u>338,397</u>
Total liabilities and net assets	<u>\$ 337,291</u>	<u>\$ 9,401</u>	<u>\$ -</u>	<u>\$ 346,692</u>

Students for Sensible Drug Policy and Affiliate

Consolidating Schedule of Financial Position December 31, 2014

	SSDP Foundation	SSDP, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 324,493	\$ 11,680	\$ -	\$ 336,173
Accounts receivable	94	-	-	94
Prepaid expenses and deposits	5,600	-	-	5,600
Property and equipment, net	4,811	-	-	4,811
Due from related party	5,250	-	(5,250)	-
Total assets	<u>\$ 340,248</u>	<u>\$ 11,680</u>	<u>\$ (5,250)</u>	<u>\$ 346,678</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 18,974	\$ 9,000	\$ -	\$ 27,974
Due to related party	-	5,250	(5,250)	-
Total liabilities	<u>18,974</u>	<u>14,250</u>	<u>(5,250)</u>	<u>27,974</u>
Net Assets (Deficit)				
Unrestricted	314,274	(2,570)	-	311,704
Temporarily restricted	7,000	-	-	7,000
Total net assets (deficit)	<u>321,274</u>	<u>(2,570)</u>	<u>-</u>	<u>318,704</u>
Total liabilities and net assets	<u>\$ 340,248</u>	<u>\$ 11,680</u>	<u>\$ (5,250)</u>	<u>\$ 346,678</u>

Students for Sensible Drug Policy and Affiliate

Consolidating Schedule of Activities
For the Year Ended December 31, 2015

	SSDP Foundation		SSDP, Inc.	Total
	Unrestricted	Temporarily Restricted	Unrestricted	
Revenue and Support				
Contributions and grants	\$ 427,992	\$ 170,000	\$ 3,000	\$ 600,992
In-kind contributions	42,496	-	-	42,496
Sponsorships	145	-	-	145
Conferences	3,969	-	-	3,969
Sales	1,487	-	-	1,487
Other income	3,151	-	9,001	12,152
Interest income	12	-	-	12
Released from restriction	62,326	(62,326)	-	-
Total revenue and support	<u>541,578</u>	<u>107,674</u>	<u>12,001</u>	<u>661,253</u>
Expenses				
Program services	495,348	-	-	495,348
Management and general	54,675	-	30	54,705
Fundraising	91,507	-	-	91,507
Total expenses	<u>641,530</u>	<u>-</u>	<u>30</u>	<u>641,560</u>
Change in Net Assets	(99,952)	107,674	11,971	19,693
Net Assets (Deficit), beginning of year	<u>314,274</u>	<u>7,000</u>	<u>(2,570)</u>	<u>318,704</u>
Net Assets, end of year	<u>\$ 214,322</u>	<u>\$ 114,674</u>	<u>\$ 9,401</u>	<u>\$ 338,397</u>

Students for Sensible Drug Policy and Affiliate

Consolidating Schedule of Activities
For the Year Ended December 31, 2014

	SSDP Foundation		SSDP, Inc.	Total
	Unrestricted	Temporarily Restricted	Unrestricted	
Revenue and Support				
Contributions and grants	\$ 431,332	\$ 7,000	\$ 2,750	\$ 441,082
In-kind contributions	588	-	-	588
Sponsorships	24,500	-	-	24,500
Conferences	22,939	-	-	22,939
Sales	1,878	-	-	1,878
Other income	14,000	-	60	14,060
Interest income	17	-	-	17
Total revenue and support	<u>495,254</u>	<u>7,000</u>	<u>2,810</u>	<u>505,064</u>
Expenses				
Program services	340,307	-	-	340,307
Management and general	58,734	-	30	58,764
Fundraising	76,610	-	-	76,610
Total expenses	<u>475,651</u>	<u>-</u>	<u>30</u>	<u>475,681</u>
Change in Net Assets	19,603	7,000	2,780	29,383
Net Assets (Deficit), beginning of year	<u>294,671</u>	<u>-</u>	<u>(5,350)</u>	<u>289,321</u>
Net Assets (Deficit), end of year	<u>\$ 314,274</u>	<u>\$ 7,000</u>	<u>\$ (2,570)</u>	<u>\$ 318,704</u>