

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2013

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Financial Statements
December 31, 2013

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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 statement of financial position as of December 31, 2013, the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included on pages 11-13 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
December 1, 2014

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Financial Position December 31, 2013

Assets

Cash and cash equivalents	\$	277,839
Accounts receivable		74,480
Prepaid expenses and deposits		3,535
Property and equipment, net		4,765

Total assets \$ 360,619

Liabilities and Net Assets

Liabilities

Accounts payable	\$	31,109
Loan payable		40,189

Total liabilities 71,298

Net Assets

Unrestricted		289,321
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Total net assets 289,321

Total liabilities and net assets \$ 360,619

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Activities
For the Year Ended December 31, 2013

Unrestricted Revenue and Support	
Contributions and grants	\$ 500,850
Sponsorships	1,000
Conferences	818
Sales	2,208
Other income	10,864
Interest income	740
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Total unrestricted revenue and support	516,480
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Expenses	
Program services	237,212
Management and general	73,452
Fundraising	68,276
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Total expenses	378,940
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Change in Net Assets	137,540
Net Assets, beginning of year	151,781
	<hr/>
Net Assets, end of year	<u><u>\$ 289,321</u></u>

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Cash Flows For the Year Ended December 31, 2013

Cash Flows from Operating Activities	
Change in net assets	\$ 137,540
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,619
Loss on sale of fixed assets	264
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(41,222)
Prepaid expenses and deposits	543
Increase in:	
Accounts payable	25,761
Payroll liabilities	3,002
	<hr/>
Net cash provided by operating activities	127,507
	<hr/>
Cash Flows from Investing Activity	
Purchase of fixed assets	(2,823)
	<hr/>
Net cash used in investing activity	(2,823)
	<hr/>
Cash Flows from Financing Activity	
Proceeds from issuance of loan payable	40,189
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Net cash provided by financing activity	40,189
	<hr/>
Net Increase in Cash and Cash Equivalents	164,873
Cash and Cash Equivalents, beginning of year	112,966
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Cash and Cash Equivalents, end of year	<u><u>\$ 277,839</u></u>

See accompanying notes.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

December 31, 2013

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.”). These organizations are collectively referred to as SSDP throughout the accompanying notes to the consolidated financial statements.

SSDP Foundation engages in education and outreach and is committed to providing education on 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.

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.

Basis of Accounting and Presentation

The consolidated financial statements are prepared on the accrual basis of accounting and are in accordance with generally accepted accounting principles for not-for-profit organizations. Net assets are reported based on the presence or absence of donor-imposed restrictions. At December 31, 2013, all net assets were unrestricted

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.

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.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

December 31, 2013

2. Summary of Significant Accounting Policies (continued)

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 statement 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.

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 statement 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.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

December 31, 2013

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these consolidated financial statements, SSDP has evaluated events and transactions for potential recognition or disclosure through December 1, 2014, the date the consolidated financial statements were available to be issued.

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, 2013:

Property and equipment	\$ 18,275
Less: accumulated depreciation	<u>(13,510)</u>
Property and equipment, net	<u><u>\$ 4,765</u></u>

5. Loan Payable

During 2013, SSDP 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. SSDP repaid the loan, in full, subsequent to year end on January 10, 2014, with interest totaling \$189.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

December 31, 2013

6. Commitments and Contingencies

Operating Lease

SSDP 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 expiring on February 28, 2014. The lease had a base rent escalation term of 4% per year.

Subsequent to year end on February 26, 2014, SSDP entered into a new lease agreement for office space in Washington, DC. The lease term is for two years, commencing on March 7, 2014 and expiring on March 31, 2016. The lease has a base rent escalation term of 3% per year.

Rental expense is recognized on the straight-line basis, and the excess of rental expense recognized over cash payments is presented as deferred rent in the consolidated statement of financial position. SSDP is also responsible for its proportionate share of operating costs.

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

2014	\$	23,400
2015		31,902
2016		<u>8,034</u>
Total future minimum lease payments	\$	<u><u>63,336</u></u>

Rent expense totaled \$26,401 for the year ended December 31, 2013.

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, 2013

7. Income Taxes

SSDP Foundation and SSDP, Inc. are exempt from payment of taxes on income other than unrelated business income under Section 501(c)(3) and 501(c)(4), respectively, of the Internal Revenue Code (IRC). No tax expense is recorded in the accompanying consolidated financial statements for the year ended December 31, 2013, 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.

SUPPLEMENTAL INFORMATION

Students for Sensible Drug Policy and Affiliate

Consolidated Schedule of Functional Expenses For the Year Ended December 31, 2013

	Program Services	Management and General	Fundraising	Total
Personnel expenses	\$ 145,634	\$ 42,002	\$ 42,935	\$ 230,571
Advertising	277	20	8	305
Awards	98	48	20	166
Bank service charges	175	91	8,530	8,796
Credit card fees	-	-	11	11
Books and information	1,164	46	348	1,558
Contributions	-	-	1,669	1,669
Conference and training	944	386	-	1,330
Scholarship	10,747	-	-	10,747
Depreciation	955	470	194	1,619
Event and conference	1,370	-	1,100	2,470
Insurance	1,726	848	351	2,925
Interest expense	113	56	23	192
Licenses and permits	150	-	-	150
Postage and delivery	1,931	-	-	1,931
Printing and reproduction	5,699	116	48	5,863
Accounting fees	17,167	9,990	3,492	30,649
Rent	15,577	7,656	3,168	26,401
Repairs and maintenance	115	15	6	136
Supplies	1,631	335	494	2,460
Information technology	1,018	500	207	1,725
Contract labor	1,398	-	-	1,398
Telecommunications	3,669	1,447	599	5,715
Travel and entertainment	18,654	426	5,073	24,153
Penalties	-	9,000	-	9,000
Pass-thru	7,000	-	-	7,000
Total Expenses	\$ 237,212	\$ 73,452	\$ 68,276	\$ 378,940

Students for Sensible Drug Policy and Affiliate

Consolidating Schedule of Financial Position December 31, 2013

	SSDP Foundation	SSDP, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 266,189	\$ 11,650	\$ -	\$ 277,839
Accounts receivable	74,480	-	-	74,480
Prepaid expenses and deposits	3,535	-	-	3,535
Property and equipment, net	4,765	-	-	4,765
Due from related party	8,000	-	(8,000)	-
Total assets	<u>\$ 356,969</u>	<u>\$ 11,650</u>	<u>\$ (8,000)</u>	<u>\$ 360,619</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 22,109	\$ 9,000	\$ -	\$ 31,109
Loan payable	40,189	-	-	40,189
Due to related party	-	8,000	(8,000)	-
Total liabilities	<u>62,298</u>	<u>17,000</u>	<u>(8,000)</u>	<u>71,298</u>
Net Assets				
Unrestricted	<u>294,671</u>	<u>(5,350)</u>	<u>-</u>	<u>289,321</u>
Total net assets	<u>294,671</u>	<u>(5,350)</u>	<u>-</u>	<u>289,321</u>
Total liabilities and net assets	<u>\$ 356,969</u>	<u>\$ 11,650</u>	<u>\$ (8,000)</u>	<u>\$ 360,619</u>

Students for Sensible Drug Policy and Affiliate

Consolidating Schedule of Activities
For the Year Ended December 31, 2013

	SSDP Foundation	SSDP, Inc.	Total
Unrestricted Revenue and Support			
Contributions and grants	\$ 498,850	\$ 2,000	\$ 500,850
Sponsorships	1,000	-	1,000
Conferences	818	-	818
Sales	2,208	-	2,208
Other income	10,864	-	10,864
Interest income	740	-	740
	<u>514,480</u>	<u>2,000</u>	<u>516,480</u>
Expenses			
Program services	235,814	1,398	237,212
Management and general	62,895	10,557	73,452
Fundraising	68,276	-	68,276
	<u>366,985</u>	<u>11,955</u>	<u>378,940</u>
Total unrestricted revenue and support	<u>514,480</u>	<u>2,000</u>	<u>516,480</u>
Change in Net Assets	147,495	(9,955)	137,540
Net Assets, beginning of year	<u>147,176</u>	<u>4,605</u>	<u>151,781</u>
Net Assets, end of year	<u>\$ 294,671</u>	<u>\$ (5,350)</u>	<u>\$ 289,321</u>