

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Financial Statements
and Independent Auditors' Report

June 30, 2020 and 2019

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Financial Statements
June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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 June 30, 2020 and 2019; the related consolidated statements of activities, functional expenses, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, SSDP adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 21-24 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
February 17, 2021

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statements of Financial Position June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 217,864	\$ 54,552
Investment in cryptocurrency	17,807	20,431
Prepaid expenses and deposits	7,855	5,357
Property and equipment, net	1,518	1,303
Intangible assets, net	15,086	23,506
Total assets	\$ 260,130	\$ 105,149
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 12,632	\$ 43,153
Loan payable – Paycheck Protection Program	87,039	-
Loan payable	-	50,000
Total liabilities	99,671	93,153
Net Assets (Deficit)		
Without donor restrictions	(14,932)	(70,636)
With donor restrictions	175,391	82,632
Total net assets	160,459	11,996
Total liabilities and net assets	\$ 260,130	\$ 105,149

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Activities For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 678,179	\$ 131,000	\$ 809,179
Conferences	15,298	-	15,298
Sales	852	-	852
Unrealized depreciation on investment in cryptocurrency	(2,624)	-	(2,624)
Released from restriction	38,241	(38,241)	-
Total revenue and support	729,946	92,759	822,705
Expenses			
Program services	439,713	-	439,713
Management and general	174,669	-	174,669
Fundraising	59,860	-	59,860
Total expenses	674,242	-	674,242
Change in Net Assets	55,704	92,759	148,463
Net (Deficit) Assets, beginning of year	(70,636)	82,632	11,996
Net (Deficit) Assets, end of year	\$ (14,932)	\$ 175,391	\$ 160,459

See accompanying notes.

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Activities For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 504,239	\$ 90,000	\$ 594,239
Conferences	90,271	-	90,271
Sales	639	-	639
Unrealized appreciation on investment in cryptocurrency	8,448	-	8,448
Other income	3,750	-	3,750
Released from restriction	87,414	(87,414)	-
Total revenue and support	694,761	2,586	697,347
Expenses			
Program services	584,158	-	584,158
Management and general	148,093	-	148,093
Fundraising	82,859	-	82,859
Total expenses	815,110	-	815,110
Change in Net Assets	(120,349)	2,586	(117,763)
Net Assets, beginning of year	49,713	80,046	129,759
Net (Deficit) Assets, end of year	\$ (70,636)	\$ 82,632	\$ 11,996

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 271,656	\$ 88,558	\$ 45,631	\$ 405,845
Consulting and contractual services	63,180	1,560	433	65,173
Rent	22,277	11,060	3,073	36,410
Depreciation and amortization	-	8,835	-	8,835
Finance charges	308	5,196	3	5,507
Sponsorships and dues	529	-	-	529
Professional development	666	-	-	666
Awards	118	-	-	118
Conference and training	1,495	200	-	1,695
Scholarship	6,523	-	-	6,523
Event and conference	29,210	-	3,274	32,484
Insurance	-	5,288	-	5,288
Licenses and permits	-	6,566	5,503	12,069
Postage and delivery	2,652	366	159	3,177
Printing and publications	8,636	1,610	-	10,246
Legal fees	-	10,126	-	10,126
Accounting fees	-	25,928	-	25,928
Information technology	14,928	4,769	232	19,929
Office expense	2,890	1,451	371	4,712
Telecommunications	-	2,480	-	2,480
Travel and entertainment	14,529	441	1,181	16,151
Other expenses	116	235	-	351
Total Expenses	\$ 439,713	\$ 174,669	\$ 59,860	\$ 674,242

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 372,467	\$ 82,758	\$ 51,547	\$ 506,772
Consulting and contractual services	35,640	770	5,999	42,409
Rent	44,797	6,566	6,174	57,537
Advertising and promotion	150	-	-	150
Depreciation and amortization	-	9,365	-	9,365
Finance charges	-	3,034	-	3,034
Sponsorships and dues	1,061	-	-	1,061
Professional development	-	522	-	522
Awards	8	-	-	8
Conference and training	900	-	-	900
Scholarship	7,703	-	-	7,703
Event and conference	77,297	-	5,294	82,591
Insurance	98	4,942	-	5,040
Licenses and permits	250	5,514	6,446	12,210
Postage and delivery	3,099	347	561	4,007
Printing and publications	5,027	140	1,791	6,958
Legal fees	637	2,368	-	3,005
Accounting fees	-	23,550	-	23,550
Information technology	5,564	796	2,748	9,108
Office expense	4,441	629	634	5,704
Repairs and maintenance	280	41	39	360
Telecommunications	13	5,125	-	5,138
Travel and entertainment	24,399	1,626	1,626	27,651
Other expenses	327	-	-	327
Total Expenses	\$ 584,158	\$ 148,093	\$ 82,859	\$ 815,110

Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statements of Cash Flows For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 148,463	\$ (117,763)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized depreciation (appreciation) on investment in cryptocurrency	2,624	(8,448)
Depreciation and amortization	8,835	9,365
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	-	600
Prepaid expenses and deposits	(2,498)	383
(Decrease) increase in:		
Accounts payable and accrued expenses	(30,521)	33,540
Net cash provided by (used in) operating activities	126,903	(82,323)
Cash Flows from Investing Activity		
Purchase of property and equipment	(630)	(552)
Net cash used in investing activity	(630)	(552)
Cash Flows from Financing Activities		
Payments on loan payable	(50,000)	-
Proceeds from issuance of loan – Paycheck Protection Program	87,039	50,000
Net cash provided by financing activities	37,039	50,000
Net Increase (Decrease) in Cash and Cash Equivalents	163,312	(32,875)
Cash and Cash Equivalents, beginning of year	54,552	87,427
Cash and Cash Equivalents, end of year	\$ 217,864	\$ 54,552

See accompanying notes.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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.

Change in Accounting Principles

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update provides clarifications and improves the scope and the accounting guidance for contributions received and contributions made; in particular, evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a contribution is conditional.

For the year ended June 30, 2020, SSDP adopted ASU 2018-08 for all transactions in which SSDP serves as a resource recipient, as required by ASU 2018-08, and has also elected to early adopt ASU 2018-08 for transactions in which SSDP serves as a resource provider. ASU 2018-08 has been applied on a modified prospective basis for all agreements that were either not completed as of or entered into after July 1, 2019. The adoption of ASU 2018-08 had no impact on previously reported net assets.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principles (continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. SSDP early adopted ASU 2014-09 on January 1, 2019, using the modified retrospective approach.

SSDP applied the five-step revenue model stipulated by Accounting Standards Codification (ASC) 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires SSDP to i.) identify contracts with customers, ii.) identify performance obligations related to those contracts, iii.) determine the transaction price, iv.) allocate that transaction price to each performance obligation, and v.) recognize revenue when or as SSDP satisfies a performance obligation. The adoption of ASU 2014-09 did not materially impact the timing or amount of revenue recognized by SSDP in the consolidated financial statements.

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
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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.

Investment in Cryptocurrency

Investments are entirely comprised of Bitcoin cryptocurrency and are reported at fair value as determined by digital asset market exchanges, with realized gains and losses calculated on a trade data basis as the difference between the fair value and cost of cryptocurrencies transferred. SSDP recognizes the fair value changes in unrealized appreciation or depreciation on investment through the accompanying consolidated statements of activities. As of June 30, 2020 and 2019, SSDP's investments had a fair value of \$17,807 and \$20,431, respectively, and consist of Bitcoin cryptocurrency.

In addition, SSDP maintains an Electrum USD Wallet account, which is linked to one of SSDP's bank accounts and enables SSDP to store US dollar balances on Bitpay for instant Bitcoin transactions.

Property and Equipment

Property and equipment with a cost in excess of \$500 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.

Intangible Assets

During 2016, SSDP capitalized website development services costs in the amount of \$42,100, which include \$36,100 that was received as an in-kind contribution. The website was put into service in 2017, and capitalized development costs began to be amortized on a straight-line basis over the estimated useful life of five years. Costs related to the planning stage of the website development project, as well as ongoing website operating and support costs, are expensed as incurred.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for as Contracts with Customers

Revenue is recognized when SSDP satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration SSDP expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, SSDP combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met. Specifically, for the various types of contracts, SSDP recognizes revenue as follows:

Registration revenues are amounts paid by or on behalf of conference or event participants. Registration fees are based on published fixed rates and collected at the time of registration, resulting in a deferred revenue balance. Registration revenues are recognized in the period the related conference or event is conducted.

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to satisfaction of grant conditions are reported as refundable advances in the consolidated statements of financial position.

SSDP reports nonreciprocal gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of SSDP's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

Donated services are recorded in contributions and grants in the accompanying consolidated statements of activities at their fair value at the date of receipt. Donated services consist of donated travel and pro-bono legal services that benefit both program and supporting services. Contributions of donated services for the years ended June 30, 2020 and 2019 were \$40,712 and \$4,980, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. 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.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in SSDP's fiscal year 2022.

Subsequent Events

In preparing these consolidated financial statements, SSDP has evaluated events and transactions for potential recognition or disclosure through February 17, 2021, the date the consolidated financial statements were available to be issued.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Subsequent Events (continued)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that are likely to impact SSDP. The extent of the impact of COVID-19 on SSDP's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its direct impact on SSDP, all of which are uncertain and cannot be predicted at this time. SSDP has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact.

3. Liquidity and Availability

SSDP had \$235,671 and \$74,983 of financial assets available within one year of the consolidated statements of financial position date to meet cash needs for general expenditures as of June 30, as shown below:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 217,864	\$ 54,552
Investment in cryptocurrency	<u>17,807</u>	<u>20,431</u>
Total available for general expenditures	<u>\$ 235,671</u>	<u>\$ 74,983</u>

SSDP considers contributions restricted by donors for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. SSDP monitors the balance of its cash and cash equivalents on hand, with a goal to maintain balances at levels sufficient to meet at least 90 days of normal operating expenses. SSDP structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, SSDP invests the excess of its short-term operating needs in short term investments.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

4. Concentrations of Risk

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 Deposit 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.

Revenue Risk

SSDP received a substantial portion of its support and revenue from three organizations during the years ended June 30, 2020 and 2019, which represents approximately 41% and 31% of SSDP's total revenue and support, respectively.

5. Fair Value Measurements

SSDP follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, SSDP uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

5. Fair Value Measurements (continued)

Cryptocurrencies

Cryptocurrencies are carried at their fair value and are revalued to their current market at each reporting date. Fair value is determined based on the price quoted on the digital asset market exchange, which is an average of quoted rates from various cryptocurrency exchanges. As such, SSDP classifies its digital currency as a Level 2 input.

The following table presents SSDP's fair value hierarchy for those assets measured on a recurring basis as of June 30:

	Level 1	Level 2	Level 3	Total fair value
<u>2020:</u>				
Cryptocurrency:				
Bitcoin	\$ -	\$ 17,807	\$ -	\$ 17,807
<hr/>				
Total investment in cryptocurrency	\$ -	\$ 17,807	\$ -	\$ 17,807
<hr/>				
<u>2019:</u>				
Cryptocurrency:				
Bitcoin	\$ -	\$ 20,431	\$ -	\$ 20,431
<hr/>				
Total investment in cryptocurrency	\$ -	\$ 20,431	\$ -	\$ 20,431
<hr/>				

Cryptocurrency transaction (loss) gain consists of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Unrealized (depreciation) appreciation on investment in cryptocurrency	<u>\$ (2,624)</u>	<u>\$ 8,448</u>
Total (depreciation) appreciation on investment in cryptocurrency	<u>\$ (2,624)</u>	<u>\$ 8,448</u>

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
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6. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Property and equipment	\$ 22,331	\$ 21,701
Less: accumulated depreciation	<u>(20,813)</u>	<u>(20,398)</u>
Property and equipment, net	<u>\$ 1,518</u>	<u>\$ 1,303</u>

7. Intangible Assets

Intangible assets consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Intangible assets	\$ 42,100	\$ 42,100
Less: accumulated amortization	<u>(27,014)</u>	<u>(18,594)</u>
Intangible assets, net	<u>\$ 15,086</u>	<u>\$ 23,506</u>

The estimated future amortization expense of purchased intangible assets with finite lives is as follows for the years ending June 30:

2021	\$ 8,420
2022	<u>6,666</u>
Total future amortization expense	<u>\$ 15,086</u>

8. Loan Payable – Paycheck Protection Program

SSDP applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which SSDP qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
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8. Loan Payable – Paycheck Protection Program (continued)

The loan was granted to SSDP on May 15, 2020 in the amount of \$87,039 and it is management's intention to use the entire loan amount for qualifying expenses in order to apply for full forgiveness. Once the loan is, in part or wholly, forgiven and legal release is received, SSDP will reduce the liability by the amount forgiven and record a gain on extinguishment in the consolidated statements of activities, which is expected to occur in fiscal year 2021.

If SSDP is not approved for full forgiveness by the SBA, the loan would bear interest at a fixed rate of 1.00%, which is payable monthly commencing on December 15, 2020 and matures on May 15, 2022. The proceeds from this loan may be repaid by SSDP at any time prior to maturity with no prepayment penalties, should full forgiveness not be granted. At June 30, 2020, SSDP recorded \$87,039 as a loan payable, which is reflected in the accompanying consolidated statements of financial position.

Principal payments on the loan obligation are as follows for the years ending June 30:

2021	\$	35,690
2022		<u>51,349</u>
Total principal payments	\$	<u><u>87,039</u></u>

9. Loan Payable

In October 2018, SSDP obtained a loan with Multidisciplinary Association for Psychedelic Studies (MAPS) at an annual interest rate of 5% to finance short-term working capital needs. Per the loan agreement, SSDP was required to repay MAPS by December 26, 2019. During 2019, the loan was paid in full to MAPS. The outstanding balance on the loan payable at June 30, 2020 and 2019 totaled \$0 and \$50,000, respectively.

10. Net Assets With Donor Restrictions

At June 30, 2020 and 2019, net assets with donor restrictions were \$175,391 and \$82,632, respectively, and consist of donor-restricted contributions received for the Pacific Region Development program.

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
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11. Commitments and Contingencies

Operating Leases

In January 2012, SSDP Foundation entered into an agreement to lease office space in Washington, DC and since then, the agreement was extended several times. In December 2018, this lease was extended for one additional year, commencing on April 1, 2019 and expiring on March 31, 2020. The lease had a base rent escalation term of 3% per year.

On January 13, 2020, SSDP entered into an agreement to sublease office space that commenced on January 15, 2020 and was set to expire on January 31, 2021. The terms of the lease call for fixed monthly payments of \$1,614. In January 2021, the sublease agreement was extended through December 31, 2021 with fixed monthly payments of \$542. 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.

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 expired on November 30, 2016 with a base monthly payment of \$333. This lease was subsequently renewed for two more years commencing on February 1, 2017 and expired on February 2019. Monthly base rent was \$342 for the first lease year and \$375 for the second lease year. On December 7, 2018, SSDP Foundation exited this lease.

On April 27, 2018, SSDP signed a lease agreement for a working space in a shared office space in Oakland, CA. The agreement was on a month-to-month basis with a monthly rent of \$405 from April 2018 to March 2019, which increased to \$420 from April 2019. In June 2019, SSDP Foundation exited this lease.

Rent expense for all operating leases totaled \$36,410 and \$57,537 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments for the above leases are as follows for the years ending June 30:

2021	\$	14,548
2022		<u>3,253</u>
Total future minimum lease payments	\$	<u><u>17,801</u></u>

Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

11. Commitments and Contingencies (continued)

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.

12. Methods Used for Allocation of Expenses from Management and General Activities

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and employee benefits, consulting and contractual services, rent, travel and entertainment, and other expenses, which are allocated on the basis of estimates of time and effort.

13. Chapters

SSDP Foundation has around 300 local and international Chapters that share and promote the same mission. The Chapters operate independently and are governed by officers elected by qualifying members within SSDP Foundation. Accordingly, the financial accounts of the Chapters are not included in the accompanying consolidated financial statements.

14. 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 years ended June 30, 2020 and 2019, 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 Foundation and Affiliate

Consolidating Schedule of Financial Position
June 30, 2020

	SSDP Foundation	SSDP, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 207,612	\$ 10,252	\$ -	\$ 217,864
Investment in cryptocurrency	17,807	-	-	17,807
Prepaid expenses and deposits	7,855	-	-	7,855
Property and equipment, net	1,518	-	-	1,518
Intangible assets, net	15,086	-	-	15,086
Total assets	<u>\$ 249,878</u>	<u>\$ 10,252</u>	<u>\$ -</u>	<u>\$ 260,130</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 12,632	\$ -	\$ -	\$ 12,632
Loan payable – Paycheck Protection Program	87,039	-	-	87,039
Total liabilities	<u>99,671</u>	<u>-</u>	<u>-</u>	<u>99,671</u>
Net (Deficit) Assets				
Without donor restrictions	(25,184)	10,252	-	(14,932)
With donor restrictions	175,391	-	-	175,391
Total net assets	<u>150,207</u>	<u>10,252</u>	<u>-</u>	<u>160,459</u>
Total liabilities and net assets	<u>\$ 249,878</u>	<u>\$ 10,252</u>	<u>\$ -</u>	<u>\$ 260,130</u>

Students for Sensible Drug Policy Foundation and Affiliate

Consolidating Schedule of Financial Position
June 30, 2019

	SSDP Foundation	SSDP, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 44,770	\$ 9,782	\$ -	\$ 54,552
Investment in cryptocurrency	20,431	-	-	20,431
Prepaid expenses and deposits	5,357	-	-	5,357
Property and equipment, net	1,303	-	-	1,303
Intangible assets, net	23,506	-	-	23,506
Total assets	<u>\$ 95,367</u>	<u>\$ 9,782</u>	<u>\$ -</u>	<u>\$ 105,149</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 43,153	\$ -	\$ -	\$ 43,153
Loan payable	50,000	-	-	50,000
Total liabilities	<u>93,153</u>	<u>-</u>	<u>-</u>	<u>93,153</u>
Net Assets (Deficit)				
Without donor restrictions	(80,418)	9,782	-	(70,636)
With donor restrictions	82,632	-	-	82,632
Total net assets	<u>2,214</u>	<u>9,782</u>	<u>-</u>	<u>11,996</u>
Total liabilities and net assets	<u>\$ 95,367</u>	<u>\$ 9,782</u>	<u>\$ -</u>	<u>\$ 105,149</u>

Students for Sensible Drug Policy Foundation and Affiliate

Consolidating Schedule of Activities
For the Year Ended June 30, 2020

	SSDP Foundation		SSDP, Inc.	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	
Revenue and Support				
Contributions and grants	\$ 677,679	\$ 131,000	\$ 500	\$ 809,179
Conferences	15,298	-	-	15,298
Sales	852	-	-	852
Unrealized depreciation on investment in cryptocurrency	(2,624)	-	-	(2,624)
Released from restriction	38,241	(38,241)	-	-
Total revenue and support	<u>729,446</u>	<u>92,759</u>	<u>500</u>	<u>822,705</u>
Expenses				
Program services	439,713	-	-	439,713
Management and general	174,639	-	30	174,669
Fundraising	59,860	-	-	59,860
Total expenses	<u>674,212</u>	<u>-</u>	<u>30</u>	<u>674,242</u>
Change in Net Assets	55,234	92,759	470	148,463
Net (Deficit) Assets, beginning of year	<u>(80,418)</u>	<u>82,632</u>	<u>9,782</u>	<u>11,996</u>
Net (Deficit) Assets, end of year	<u>\$ (25,184)</u>	<u>\$ 175,391</u>	<u>\$ 10,252</u>	<u>\$ 160,459</u>

Students for Sensible Drug Policy Foundation and Affiliate

Consolidating Schedule of Activities
For the Year Ended June 30, 2019

	SSDP Foundation		SSDP, Inc.	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	
Revenue and Support				
Contributions and grants	\$ 504,239	\$ 90,000	\$ -	\$ 594,239
Conferences	90,271	-	-	90,271
Sales	639	-	-	639
Unrealized appreciation on investment in cryptocurrency	8,448	-	-	8,448
Other income	3,750	-	-	3,750
Released from restriction	87,414	(87,414)	-	-
Total revenue and support	<u>694,761</u>	<u>2,586</u>	<u>-</u>	<u>697,347</u>
Expenses				
Program services	584,158	-	-	584,158
Management and general	148,064	-	29	148,093
Fundraising	82,859	-	-	82,859
Total expenses	<u>815,081</u>	<u>-</u>	<u>29</u>	<u>815,110</u>
Change in Net Assets	(120,320)	2,586	(29)	(117,763)
Net Assets, beginning of year	<u>39,902</u>	<u>80,046</u>	<u>9,811</u>	<u>129,759</u>
Net (Deficit) Assets, end of year	<u>\$ (80,418)</u>	<u>\$ 82,632</u>	<u>\$ 9,782</u>	<u>\$ 11,996</u>