

**Students for Sensible Drug Policy Foundation and Affiliate**

Consolidated Financial Statements  
and Independent Auditors' Report

June 30, 2018

# Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Financial Statements  
June 30, 2018

## Contents

Independent Auditors' Report.....	1-2
<i>Consolidated Financial Statements</i>	
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Cash Flows .....	5
Notes to Consolidated Financial Statements.....	6-13
<i>Supplementary Information</i>	
Consolidated Schedule of Functional Expenses .....	14
Consolidating Schedule of Financial Position .....	15
Consolidating Schedule of Activities.....	16

## **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 statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the six-month period 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 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, 2018, and the changes in its net assets and its cash flows for the six-month period 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 supplementary information included on pages 14-16 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 8, 2019

## Students for Sensible Drug Policy Foundation and Affiliate

### Consolidated Statement of Financial Position June 30, 2018

<b>Assets</b>	
Cash and cash equivalents	\$ 87,427
Investment in cryptocurrency	11,983
Accounts receivable	600
Prepaid expenses and deposits	5,740
Property and equipment, net	1,696
Intangible assets, net	<u>31,926</u>
Total assets	<u><u>\$ 139,372</u></u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable	<u>\$ 9,613</u>
Total liabilities	<u>9,613</u>
<b>Net Assets</b>	
Unrestricted	49,713
Temporarily restricted	<u>80,046</u>
Total net assets	<u>129,759</u>
Total liabilities and net assets	<u><u>\$ 139,372</u></u>

## Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Statement of Activities  
For the Six-Month Period Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Contributions and grants	\$ 238,903	\$ 40,000	\$ 278,903
Conferences	38,500	-	38,500
Sales	1,224	-	1,224
Unrealized depreciation on investment in cryptocurrency	(11,851)	-	(11,851)
Released from restriction	92,124	(92,124)	-
<b>Total revenue and support</b>	<b>358,900</b>	<b>(52,124)</b>	<b>306,776</b>
<b>Expenses</b>			
Program services	301,360	-	301,360
Management and general	96,667	-	96,667
Fundraising	17,461	-	17,461
<b>Total expenses</b>	<b>415,488</b>	<b>-</b>	<b>415,488</b>
<b>Change in Net Assets</b>	<b>(56,588)</b>	<b>(52,124)</b>	<b>(108,712)</b>
<b>Net Assets, beginning of period</b>	<b>106,301</b>	<b>132,170</b>	<b>238,471</b>
<b>Net Assets, end of period</b>	<b>\$ 49,713</b>	<b>\$ 80,046</b>	<b>\$ 129,759</b>

*See accompanying notes.*

## Students for Sensible Drug Policy Foundation and Affiliate

### Consolidated Statement of Cash Flows For the Six-Month Period Ended June 30, 2018

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ (108,712)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized depreciation on investment in cryptocurrency	11,851
Depreciation and amortization	4,707
Change in operating assets and liabilities:	
Increase in:	
Prepaid expenses and deposits	(2,043)
Increase in:	
Accounts payable	<u>5,056</u>
Net cash used in operating activities	<u>(89,141)</u>
<b>Cash Flows from Investing Activity</b>	
Purchase of property and equipment	<u>(1,160)</u>
Net cash used in investing activity	<u>(1,160)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(90,301)
<b>Cash and Cash Equivalents, beginning of period</b>	<u>177,728</u>
<b>Cash and Cash Equivalents, end of period</b>	<u><u>\$ 87,427</u></u>

# Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

June 30, 2018

## 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.

### Change to Fiscal Year-End

SSDP changed its reporting year end from calendar to a fiscal year end ending June 30<sup>th</sup> to better align with its key programs. The consolidated financial statements presented are for the short year ended June 30, 2018.



## Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

June 30, 2018

### 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 June 30, 2018, SSDP had undeposited funds included in cash and cash equivalents of \$42,287.

#### 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 statement of activities. As of June 30, 2018, SSDP's investments had a fair value of \$11,983 and consist of Bitcoin cryptocurrency.

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

#### 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. At June 30, 2018, accounts receivable was comprised of amounts due from current employees.

#### 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.

## Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

June 30, 2018

### 2. Summary of Significant Accounting Policies (continued)

#### 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. These services enhance a nonfinancial asset, require specialized skills, and would be purchased if not donated, and therefore were recognized as an intangible asset and a contribution in the accompanying financial statements. 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 5 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.

#### 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 donors.

#### 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.

## Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements

June 30, 2018

### 2. Summary of Significant Accounting Policies (continued)

#### 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.

#### Recently Issued Accounting Pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in fiscal year 2019.

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 statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in fiscal year 2021.

#### Subsequent Events

In preparing these consolidated financial statements, SSDP has evaluated events and transactions for potential recognition or disclosure through February 8, 2019, 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, 2018

### 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 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.

### 4. Fair Value Measurements

SSDP follows FASB Accounting Standards Codification 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.

#### 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 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.

## Students for Sensible Drug Policy Foundation and Affiliate

Notes to Consolidated Financial Statements  
June 30, 2018

### 4. Fair Value Measurements (continued)

The following table presents SSDP's fair value hierarchy for those assets measured on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total fair value
Cryptocurrency:				
Bitcoin	\$ -	\$ 11,983	\$ -	\$ 11,983
Total investment in cryptocurrency	<u>\$ -</u>	<u>\$ 11,983</u>	<u>\$ -</u>	<u>\$ 11,983</u>

Cryptocurrency transaction loss consists of the following for the six months ended June 30, 2018:

Unrealized depreciation on investment in cryptocurrency	<u>\$ (11,851)</u>
Total depreciation on investment in cryptocurrency	<u><u>\$ (11,851)</u></u>

### 5. Property and Equipment

Property and equipment consists of the following at June 30, 2018:

Property and equipment	\$ 21,149
Less: accumulated depreciation	<u>(19,453)</u>
Property and equipment, net	<u><u>\$ 1,696</u></u>

### 6. Intangible Assets

Intangible assets consist of the following at June 30, 2018:

Intangible assets	\$ 42,100
Less: accumulated amortization	<u>(10,174)</u>
Intangible assets, net	<u><u>\$ 31,926</u></u>

## Students for Sensible Drug Policy Foundation and Affiliate

### Notes to Consolidated Financial Statements

June 30, 2018

#### 7. Temporarily Restricted Net Assets

At June 30, 2018, temporarily restricted net assets were \$80,046 and consist of donor-restricted contributions received for the Pacific Region Development program.

#### 8. Commitments and Contingencies

##### Operating Leases

SSDP Foundation maintains an operating lease agreement for office space in Washington, DC. The original lease was signed in January of 2012, and since then has been extended several times. Subsequent to year end, in December 2018, this lease was extended for one additional year, commencing on April 1, 2019 and expiring on March 31, 2020. 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 statement of financial position due to immateriality. SSDP Foundation is responsible for its proportionate share of operating costs.

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. This lease was subsequently renewed for two more years commencing on February 1, 2017 and expiring on February 2019. Monthly base rent was \$342 for the first lease year and \$375 for the second lease year. Subsequent to year-end, on December 7, 2018, SSDP Foundation exited this lease.

Rent expense for all operating leases totaled \$20,883 for the six-month period ended June 30, 2018. Future minimum lease payments for the above leases are as follows for the years ending June 30:

2019	\$	39,879
2020		<u>27,127</u>
Total future minimum lease payments	\$	<u><u>67,006</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

June 30, 2018

#### **9. In-Kind Contributions**

In-kind contributions of goods and services are included in contributions and grants in the accompanying consolidated statement of activities and consist of the pro-bono legal services. Total in-kind contributions were \$1,178 for the six months period ended June 30, 2018.

#### **10. Chapters**

During 2018, SSDP Foundation had 295 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.

#### **11. 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 period ended June 30, 2018, 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**

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## Students for Sensible Drug Policy Foundation and Affiliate

Consolidated Schedule of Functional Expenses  
For the Six-Month Period Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Personnel expenses	\$ 183,006	\$ 37,960	\$ 16,368	\$ 237,334
Awards	81	71	-	152
Bank service charges	11	136	32	179
Credit card fees	796	-	-	796
Books and information	-	14	-	14
Contributions	150	-	-	150
Conference and training	69	298	-	367
Scholarship	6,701	150	-	6,851
Depreciation and amortization	-	4,707	-	4,707
Event and conference	58,787	-	65	58,852
Insurance	-	2,550	-	2,550
Licenses and permits	-	2,386	375	2,761
Postage and delivery	826	943	30	1,799
Printing and reproduction	12,915	61	257	13,233
Legal fees	3,984	-	-	3,984
Accounting fees	-	15,527	-	15,527
Outside contract services	9,650	3,750	-	13,400
Rent	784	20,099	-	20,883
Information technology	6,923	1,161	-	8,084
Office expense	381	3,385	12	3,778
Repairs and maintenance	96	2,679	8	2,783
Travel and entertainment	16,200	511	314	17,025
Miscellaneous	-	279	-	279
<b>Total Expenses</b>	<b>\$ 301,360</b>	<b>\$ 96,667</b>	<b>\$ 17,461</b>	<b>\$ 415,488</b>

**Students for Sensible Drug Policy Foundation and Affiliate**

Consolidating Schedule of Financial Position  
June 30, 2018

	SSDP Foundation	SSDP, Inc.	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 77,616	\$ 9,811	\$ -	\$ 87,427
Investment in cryptocurrency	11,983	-	-	11,983
Accounts receivable	600	-	-	600
Prepaid expenses and deposits	5,740	-	-	5,740
Property and equipment, net	1,696	-	-	1,696
Intangible assets, net	31,926	-	-	31,926
Total assets	<u>\$ 129,561</u>	<u>\$ 9,811</u>	<u>\$ -</u>	<u>\$ 139,372</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 9,613	\$ -	\$ -	\$ 9,613
Total liabilities	<u>9,613</u>	<u>-</u>	<u>-</u>	<u>9,613</u>
<b>Net Assets</b>				
Unrestricted	39,902	9,811	-	49,713
Temporarily restricted	80,046	-	-	80,046
Total net assets	<u>119,948</u>	<u>9,811</u>	<u>-</u>	<u>129,759</u>
Total liabilities and net assets	<u>\$ 129,561</u>	<u>\$ 9,811</u>	<u>\$ -</u>	<u>\$ 139,372</u>

**Students for Sensible Drug Policy Foundation and Affiliate**

Consolidating Schedule of Activities  
For the Six-Month Period Ended June 30, 2018

	SSDP Foundation		SSDP, Inc.	Total
	Unrestricted	Temporarily Restricted	Unrestricted	
<b>Revenue and Support</b>				
Contributions and grants	\$ 238,903	\$ 40,000	\$ -	\$ 278,903
Conferences	38,500	-	-	38,500
Sales	1,224	-	-	1,224
Unrealized depreciation on investment in cryptocurrency	(11,851)	-	-	(11,851)
Released from restriction	92,124	(92,124)	-	-
Total revenue and support	<u>358,900</u>	<u>(52,124)</u>	<u>-</u>	<u>306,776</u>
<b>Expenses</b>				
Program services	301,360	-	-	301,360
Management and general	96,637	-	30	96,667
Fundraising	17,461	-	-	17,461
Total expenses	<u>415,458</u>	<u>-</u>	<u>30</u>	<u>415,488</u>
<b>Change in Net Assets</b>	(56,558)	(52,124)	(30)	(108,712)
<b>Net Assets, beginning of period</b>	<u>96,460</u>	<u>132,170</u>	<u>9,841</u>	<u>238,471</u>
<b>Net Assets, end of period</b>	<u>\$ 39,902</u>	<u>\$ 80,046</u>	<u>\$ 9,811</u>	<u>\$ 129,759</u>