

The College on Problems of Drug Dependence, Inc.

Financial Statements
Year Ended December 31, 2017



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THE COLLEGE ON PROBLEMS OF DRUG DEPENDENCE, INC.

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
The College on Problems of Drug Dependence, Inc.
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of The College on Problems of Drug Dependence, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of The College on Problems of Drug Dependence, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
November 9, 2018**

THE COLLEGE ON PROBLEMS OF DRUG DEPENDENCE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Cash	\$ 254,733
Accounts receivable	16,503
Contributions receivable	68,300
Prepaid expenses and other assets	16,977
Investments	<u>3,163,559</u>
Total assets	<u>\$ 3,520,072</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 43,827
Deferred revenue	<u>116,687</u>
Total liabilities	<u>160,514</u>

NET ASSETS

Unrestricted	
Operations	2,969,836
Board designated - awards	<u>300,000</u>
	3,269,836
Temporarily restricted	<u>89,722</u>
Total net assets	<u>3,359,558</u>
Total liabilities and net assets	<u>\$ 3,520,072</u>

See accompanying notes

THE COLLEGE ON PROBLEMS OF DRUG DEPENDENCE, INC.

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Membership dues	\$ 130,136	\$ -	\$ 130,136
Annual meeting	722,215	-	722,215
Contributions	10,002	105,000	115,002
Government grants	95,000	-	95,000
Other income	6,807	-	6,807
Net assets released from restrictions	15,278	(15,278)	-
Total revenue and support	<u>979,438</u>	<u>89,722</u>	<u>1,069,160</u>
EXPENSES			
Program services	635,995	-	635,995
Supporting service			
General and administrative	<u>213,516</u>	<u>-</u>	<u>213,516</u>
Total expenses	<u>849,511</u>	<u>-</u>	<u>849,511</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	129,927	89,722	219,649
OTHER CHANGES			
Investment income	<u>364,169</u>	<u>-</u>	<u>364,169</u>
CHANGE IN NET ASSETS	494,096	89,722	583,818
NET ASSETS			
Beginning of year	<u>2,775,740</u>	<u>-</u>	<u>2,775,740</u>
End of year	<u>\$ 3,269,836</u>	<u>\$ 89,722</u>	<u>\$ 3,359,558</u>

See accompanying notes

THE COLLEGE ON PROBLEMS OF DRUG DEPENDENCE, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 219,649
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Net realized and unrealized gain on investments	(333,258)
(Increase) decrease in	
Accounts receivable	(16,503)
Contributions receivable	(68,300)
Prepaid expenses and other assets	(15,970)
Increase (decrease) in	
Accounts payable and accrued expenses	14,765
Deferred revenue	<u>(5,819)</u>
Net cash provided by operating activities	<u>(205,436)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(243,450)
Proceeds from sale of investments	<u>215,857</u>
Net cash used for investing activities	<u>(27,593)</u>

Net increase in cash (233,029)

CASH

Beginning of year	<u>123,593</u>
End of year	<u>\$(109,436)</u>

See accompanying notes

THE COLLEGE ON PROBLEMS OF DRUG DEPENDENCE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(1) NATURE OF OPERATIONS

The College on Problems of Drug Dependence, Inc. ("**CPDD**") is a nonprofit organization that provides a national and international forum for scientists of diverse backgrounds to advance the understanding of molecular-neurobiological aspects of addictive disorders and, by the application of new scientific knowledge, to improve and develop treatments utilizing novel behavioral and pharmacological therapies. Founded in 1929, CPDD serves as an interface among governmental, industrial, and academic communities maintaining liaisons with regulatory and research agencies as well as educational, treatment and prevention facilities in the drug abuse field.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

CPDD reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions. Included in unrestricted net assets is a Board designated fund for awards which had a balance of \$300,000 at December 31, 2017.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of CPDD and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as *net assets released from restrictions*.

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

There were no permanently restricted net assets at December 31, 2017.

Fair Value Measurements

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of CPDD. Unobservable inputs reflect CPDD's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that CPDD has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

THE COLLEGE ON PROBLEMS OF DRUG DEPENDENCE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect CPDD's own assumptions.

Accounting Estimates

In preparing the financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject CPDD to concentrations of credit risk are cash, accounts receivable and contributions receivable. CPDD maintains cash deposits at a high-quality financial institution. At times, such deposits may exceed federally-insured limits. Accounts receivable are expected to be collected in 2018. Contributions receivable are due from a pharmaceutical company and further described in **Note 3**.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with organizations having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. CPDD does not charge interest on outstanding balances.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value as determined by quoted market prices, with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned.

CPDD invests in a professionally-managed portfolio that contains various types of investments (**See Note 4**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that the amounts reported in the financial statements could change materially in the near term.

Revenue

Membership dues are recorded as revenue in the year to which they relate. Annual meeting revenue is recorded as revenue in the year of the meeting. Accordingly, revenue from these sources received in advance of the applicable year is included in deferred revenue in the accompanying statement of financial position.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as unrestricted.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Government Grants

Government grants are recognized as revenue as the related expenses are incurred.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

CPDD is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to NCH's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, CPDD qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. CPDD believes that it had no uncertain tax positions as defined in GAAP.

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2017 are expected to be collected as follows:

Less than one year	\$35,000
One to five years	<u>35,000</u>
	70,000
Less: discount (5%)	<u>(1,700)</u>
	<u>\$68,300</u>

(4) INVESTMENTS

Investments at December 31, 2017 consisted of the following:

Money market funds	\$ 73,984
Common stocks	33,846
Mutual funds	
Equities	471,918
Fixed income	832,446
Exchange traded funds	
Equities	1,548,245
Fixed income	<u>203,120</u>
	<u>\$3,163,559</u>

The fair value of investments was determined using Level 1 valuation inputs.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Investment income for the year ended December 31, 2017 was comprised of the following:

Interest and dividends	\$ 59,763
Net realized and unrealized gain	333,258
Less: investment management fees	<u>(28,852)</u>
	<u>\$ 364,169</u>

(5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 were restricted for awards.

(6) TEMPLE UNIVERSITY SERVICES AGREEMENT

CPDD entered into an agreement pursuant to which Temple University provides personnel, office space, utilities and communication services to CPDD. The agreement expires on June 30, 2020, unless either party provides not less than 60 days prior notice of termination. Fees incurred by CPDD were \$95,955 for the year ended December 31, 2017.

(7) HOTEL COMMITMENTS

CPDD has entered into agreements with hotels providing room accommodations for its annual meetings through 2020. The agreements include a guarantee by CPDD that the minimum number of rooms will be rented by attendees. CPDD intends to hold its annual meetings at the scheduled hotels.

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2018 the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

THE COLLEGE ON PROBLEMS OF DRUG DEPENDENCE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel costs			
Salaries and benefits	\$ 141,742	\$ 76,321	\$ 218,063
Leased employee	34,452	18,551	53,003
Contractors	<u>23,389</u>	<u>12,594</u>	<u>35,983</u>
	199,583	107,466	307,049
Audiovisual	45,990	-	45,990
Awards	71,083	-	71,083
Bank and credit card fees	11,027	5,938	16,965
Board and committee expenses	-	22,425	22,425
Hotel, food and beverage	156,836	-	156,836
Insurance	4,327	2,330	6,657
Journal expense	21,567	11,613	33,180
Professional fees	75,714	4,867	80,581
Rent expense	-	42,952	42,952
Software	15,633	10,146	25,779
Supplies	<u>34,235</u>	<u>5,779</u>	<u>40,014</u>
Total expenses	<u>\$ 635,995</u>	<u>\$ 213,516</u>	<u>\$ 849,511</u>