

Drug Policy Alliance

Financial Statements

May 31, 2021

Independent Auditors' Report

Board of Directors
Drug Policy Alliance

We have audited the accompanying financial statements of Drug Policy Alliance ("DPA"), which comprise the statement of financial position as of May 31, 2021, and the related statements of activities, functional expenses 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 auditors' 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 Drug Policy Alliance as of May 31, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Drug Policy Alliance's May 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 1, 2021

Drug Policy Alliance

Statement of Financial Position
May 31, 2021
(with comparative amounts at May 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 6,013,267	\$ 4,995,720
Investments	415,707	401,312
Accounts receivable	-	2,800
Grants receivable, net	8,880,323	2,709,160
Prepaid expenses and other assets	57,395	71,417
Due from Drug Policy Action	105,536	-
Deposits	88,794	104,794
Property, equipment and leasehold improvements, net	<u>4,422,641</u>	<u>4,727,584</u>
	<u>\$ 19,983,663</u>	<u>\$ 13,012,787</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 551,148	\$ 266,665
Due to Drug Policy Action	-	18,805
Accrued compensated absences	363,151	310,128
PPP loan payable	2,207,400	1,103,700
Mortgage payable	<u>2,341,616</u>	<u>2,441,829</u>
Total Liabilities	<u>5,463,315</u>	<u>4,141,127</u>
Net Assets		
Without donor restrictions	5,379,154	5,915,617
With donor restrictions	<u>9,141,194</u>	<u>2,956,043</u>
Total Net Assets	<u>14,520,348</u>	<u>8,871,660</u>
	<u>\$ 19,983,663</u>	<u>\$ 13,012,787</u>

See notes to financial statements

Drug Policy Alliance

Statement of Activities Year Ended May 31, 2021 (with summarized totals for the year ended May 31, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT, REVENUE AND INVESTMENT RETURN				
Grants and contributions	\$ 6,346,359	\$ 8,878,238	\$ 15,224,597	\$ 14,533,330
Registrations and conference income	-	-	-	198,463
Other contributions	777,237	-	777,237	557,344
Drug Policy Action administration	119,053	-	119,053	172,346
Publications and videos	7,856	-	7,856	7,658
Investment return	15,729	-	15,729	20,795
Other income	40,900	-	40,900	56,677
Present value discount adjustment	-	(1,378)	(1,378)	67,064
Net assets released from restrictions	2,691,709	(2,691,709)	-	-
Total Support, Revenue and Investment Return	<u>9,998,843</u>	<u>6,185,151</u>	<u>16,183,994</u>	<u>15,613,677</u>
Program services	6,590,133	-	6,590,133	8,543,329
Management and general	2,673,119	-	2,673,119	2,698,350
Fundraising	1,678,041	-	1,678,041	1,792,685
Total Expenses	<u>10,941,293</u>	<u>-</u>	<u>10,941,293</u>	<u>13,034,364</u>
Change Before Government Grants	(942,450)	6,185,151	5,242,701	2,579,313
Government grants	405,987	-	405,987	-
Change in Net Assets	<u>(536,463)</u>	<u>6,185,151</u>	<u>5,648,688</u>	<u>2,579,313</u>
NET ASSETS				
Beginning of year	<u>5,915,617</u>	<u>2,956,043</u>	<u>8,871,660</u>	<u>6,292,347</u>
End of year	<u>\$ 5,379,154</u>	<u>\$ 9,141,194</u>	<u>\$ 14,520,348</u>	<u>\$ 8,871,660</u>

See notes to financial statements

Drug Policy Alliance

Statement of Functional Expenses Year Ended May 31, 2021 (with summarized totals for the year ended May 31, 2020)

	2021			2020	
	Program Services	Management and General	Fundraising	Total	Total
Grants	\$ 885,000	\$ -	\$ -	\$ 885,000	\$ 993,000
Salaries	2,566,412	981,903	633,553	4,181,868	5,005,190
Payroll taxes and employee benefits	705,096	269,768	174,062	1,148,926	1,293,147
Management fees	2,174	478,234	37,273	517,681	273,230
Legal fees	95,237	57,052	2,997	155,286	198,470
Auditing and tax services	-	45,613	-	45,613	48,144
Lobbying fees	331,752	-	-	331,752	250,745
Fundraising fees	-	63,182	218,505	281,687	237,889
Program fees	917,086	71,899	-	988,985	1,021,701
Advertising and marketing fees	72,702	-	66,521	139,223	240,297
Office expenses	101,253	56,225	20,318	177,796	316,258
Printing expenses	723	294	225,048	226,065	324,834
Postage and bulk mail	8,454	1,554	100,210	110,218	109,947
Information technology	87,785	40,397	30,675	158,857	195,164
Occupancy and related expenses	573,849	131,911	31,172	736,932	908,038
Staff and other travel	-	2,481	26	2,507	302,250
Conference, meetings and seminars	92,341	4,798	4,941	102,080	699,886
Insurance	7,817	97,247	-	105,064	92,932
Lists	-	-	9,958	9,958	14,283
Books, subscriptions and memberships	13,159	35,166	14,216	62,541	80,604
Bank and merchant service charges	106	31,672	14,478	46,256	50,212
Sundry	1,244	-	-	1,244	7,772
Other contributions	23,500	-	-	23,500	-
Board expenses	-	212	-	212	13,980
Penalties	-	40,631	-	40,631	-
Other expenses	-	13,656	-	13,656	-
Bad debt	-	-	19,449	19,449	7,750
Total Expenses Before Depreciation and Amortization and Interest Expense	6,485,690	2,423,895	1,603,402	10,512,987	12,685,723
Depreciation and amortization	63,733	203,580	37,630	304,943	220,217
Interest expense	40,710	45,644	37,009	123,363	128,424
Total Expenses	<u>\$ 6,590,133</u>	<u>\$ 2,673,119</u>	<u>\$ 1,678,041</u>	<u>\$ 10,941,293</u>	<u>\$ 13,034,364</u>

See notes to financial statements

Drug Policy Alliance

Statement of Cash Flows Year Ended May 31, 2021

(with comparative amounts for the year ended May 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,648,688	\$ 2,579,313
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	(6,181)	(6,951)
Depreciation and amortization	304,943	220,217
Bad debt expense	19,449	7,750
Present value discount	1,378	(67,064)
Donated stock	-	(20,937)
Net changes in operating assets and liabilities		
Accounts receivable	2,800	14,672
Grants receivable	(6,191,990)	980,000
Prepaid expenses and other assets	14,022	14,755
Deposits	16,000	6,906
Due from Drug Policy Action	(105,536)	-
Accounts payable and accrued expenses	284,483	120,228
Due to Drug Policy Action	(18,805)	18,805
Accrued compensated absences	53,023	14,834
Net Cash from Operating Activities	22,274	3,882,528
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,214)	(10,822)
Proceeds from sale of investments	-	20,579
Net Cash from Investing Activities	(8,214)	9,757
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage	(100,213)	(95,159)
Proceeds from PPP loan payable	1,103,700	1,103,700
Net Cash from Financing Activities	1,003,487	1,008,541
Net Change in Cash and Cash Equivalents	1,017,547	4,900,826
CASH AND CASH EQUIVALENTS		
Beginning of year	4,995,720	94,894
End of year	\$ 6,013,267	\$ 4,995,720
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 123,363	\$ 128,424

See notes to financial statements

Drug Policy Alliance

Notes to Financial Statements
May 31, 2021

1. Nature of Organization

Drug Policy Alliance (“DPA”) is a nonprofit organization created on July 1, 2000, as a merger of The Lindesmith Center and the Drug Policy Foundation. DPA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. DPA’s mission is to promote alternatives to the war on drugs based on science, compassion, health and human rights. DPA’s major program service activities consist of:

Grants

DPA has initiated grant programs for various projects.

Communication

DPA promotes a broader understanding of drug policy reform values through various forms of public education:

Public speaking and community outreach: The executive director and other staff regularly address diverse audiences around the country, expanding public awareness and building coalitions for reform.

Media relations: DPA’s communications team works with journalists to develop positive media coverage of drug policy reform and to bring greater public attention to the harms of the war on drugs.

Internet: DPA’s web site (www.drugpolicy.org) provides in-depth information about drugs and drug-related issues, updates about breaking events in drug policy reform, and opportunities for viewers to participate in online activism campaigns.

Publications: DPA publishes a range of materials to educate readers about drug policy reform issues and DPA’s programs. Publications include reports and brochures and books, including *Marijuana Myths Marijuana Facts*; guides on addiction care issues and drug education; the newsletter; and the annual report.

Conferences

DPA hosts an international conference every second year, bringing together policymakers, public health workers, medical and legal professionals and hundreds of other people affected by the war on drugs. DPA also hosts regional and topical conferences.

Health and Harm Reduction

DPA educates the public, the media and lawmakers about alternatives to punitive drug policies, notably harm reduction approaches including syringe deregulation and overdose prevention.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2021

1. Nature of Organization (*continued*)

Public Policy and Legal Affairs

To promote alternative drug laws and policies at the local and national level, DPA educates lawmakers through:

State-based Reform Effort: DPA works to reform state and local drug policies by working with state legislators; building new coalitions for drug policy reform; and drafting model legislation based on organizational priorities. DPA is most actively engaged in those states in which it has offices, (California, New Jersey, New Mexico and New York) although DPA is also active in many other states as opportunities arise.

Federal Reform Effort: The Washington, D.C. based office monitors federal drug policy legislation; educates lawmakers, constituents and other interest groups about drug policy reform; and builds coalitions to promote reform legislation and block drug war initiatives.

DPA's Office of Legal Affairs establishes, promotes and carries out a legal agenda to advance drug policy reform and promote alternative policies through:

Legal Analysis and Litigation: DPA plays a direct role in many drug policy-related court cases which have the potential either to set legal precedent or to affect large numbers of people.

Policy Formulation and Legislative Drafting: DPA's legal team supports state-based and federal policy advocacy by drafting proposals for specific laws and initiatives. DPA also develops "model legislation" to promote among legislatures in many states.

Legal Recruiting and Training: DPA seeks out and trains legal talent for drug policy reform movement.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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Notes to Financial Statements
May 31, 2021

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Net assets without donor restrictions are those currently available at the discretion of DPA for use in its programs and operations. Net assets with donor restrictions are those which are subject to donor-imposed restrictions that will be met either by actions of DPA or the passage of time and amounts that are subject to donor-imposed restrictions requiring that they be maintained permanently by DPA.

Revenue and support are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, DPA considers all highly liquid instruments with maturities of three months or less at the time of purchase to be cash equivalents.

Fair Value Measurements

DPA follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation and Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2021

2. Summary of Significant Accounting Policies (continued)

Grants and Accounts Receivable

Management periodically evaluates receivable balances to determine whether an allowance for doubtful accounts should be established to provide for estimated uncollectible amounts.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are recorded at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets (3 to 15 years) or with respect to leasehold improvements, the remaining lease term, whichever is shorter. Property and equipment with a cost of \$3,000 or higher is capitalized. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation/amortization, and any gain or loss is reflected in the statement of activities.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value. There were no asset impairments for the years ended May 31, 2021 and 2020.

Revenue Recognition

Grants and contributions are recorded when an unconditional promise to give is made by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions. Sales of publications and videos are reported as earned revenue when DPA has fulfilled its obligation under the terms of the sale. Registration and conference income is recognized when the event occurs.

Government Grant Income

DPA qualified for the Employee Retention Credit ("ERC") in during the fiscal year. The ERC is a fully refundable tax credit for employers who pay qualified wages and qualified health plan expenses to their employees. DPA recognized \$405,987 of ERC in 2021 reported as government grants on the statement of activities.

Functional Allocations of Expense

The financial statements report certain categories of expenses that are attributable to one or more programs or operations and governance of DPA. These expenses include program services, grants, salaries, legal, insurance, and associated administrative expenses; and are allocated based on time and cost of studies of efforts made on behalf of each program.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2021

2. Summary of Significant Accounting Policies (continued)

Joint Cost Allocation

During fiscal years 2021 and 2020, DPA incurred joint costs of \$821,610 and \$816,222 for informational materials and activities that included fund-raising appeals. DPA allocated \$624,715 and \$630,343 of these costs to fundraising expense and \$196,895 and \$185,879 of these costs to program services.

Compensated Absences

Employees of DPA are entitled to compensated absences, depending on length of service and other factors. DPA's policy is to recognize the costs of compensated absences when earned.

Advertising Costs

Advertising costs are expenses as incurred.

Accounting for Uncertainty in Income Taxes

DPA recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that DPA had no uncertain tax positions that would require financial statement recognition or disclosure. DPA is no longer subject to examinations by the applicable taxing jurisdictions for the periods prior to 2018.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 1, 2021.

Prior Year Summarized Comparative Information

Information as of and for the year ended May 31, 2020 is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with DPA's financial statements as of and for the year ended May 31, 2020, from which the summarized comparative information was derived.

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Notes to Financial Statements
May 31, 2021

3. Concentrations of Credit Risk

DPA's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and grants receivable. DPA places its cash with financial institution which at times, may be in excess of the Federal Deposit Insurance Corporation's insurance limit. Investments are managed by professional investment management firms and are monitored by the Board of Directors and an investment advisor engaged by DPA. DPA performs ongoing collectability evaluation and writes off uncollectible amounts as they become known.

At May 31, 2021 and 2020, one funding source accounting for approximately 77% and 64% of grants receivable. In addition, during the fiscal years ended May 31, 2021 and 2020, one funding source accounted for approximately 45% and 67% of grants and contributions.

4. Investments

As of May 31, 2021 and 2020 all of DPA's investments are mutual funds that are valued using Level 1 inputs under the fair value hierarchy. Investments were \$415,707 and \$401,312 at May 31, 2021 and 2020.

The composition of investment return as reported in the statement of activities for the years ended May 31, consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 9,548	\$ 13,844
Net realized and unrealized gain on investment	6,181	6,951
Total Investment Return	<u>\$ 15,729</u>	<u>\$ 20,795</u>

5. Grants Receivable

Grants receivable from various foundations and individuals are due within one to two years. Payments to be received after May 31, 2022 are discounted to their present value using an interest rate ranging from 2.26% to 4.03%. The discount rate is based on the Federal Reserve's statistical release survey of terms of business lending at the time of contribution. Management expects all receivables to be collected, accordingly no allowance has been provided for.

Grants receivable as of May 31, are summarized as follows:

	<u>2021</u>	<u>2020</u>
Receivable within one year	\$ 6,225,530	\$ 977,989
Receivable within two years	2,725,000	1,800,000
Discount to present value	<u>(70,207)</u>	<u>(68,829)</u>
Total	<u>\$ 8,880,323</u>	<u>\$ 2,709,160</u>

Drug Policy Alliance

Notes to Financial Statements
May 31, 2021

6. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements as of May 31, consist of the following:

	<u>2021</u>	<u>2020</u>
Office condominium	\$ 4,340,092	\$ 4,340,092
Leasehold improvements	887,814	975,602
Furniture and equipment	1,010,218	1,010,218
Books and periodicals	<u>49,910</u>	<u>49,910</u>
	6,288,034	6,375,822
Less accumulated depreciation and amortization	<u>1,865,393</u>	<u>1,648,238</u>
	<u>\$ 4,422,641</u>	<u>\$ 4,727,584</u>

During May 31, 2021, DPA wrote of fully depreciated assets totaling \$87,788.

7. Mortgage Payable

DPA entered into a mortgage loan agreement on June 28, 2011 in connection with the purchase of their new office space. The loan matures on June 28, 2026. Payments of principal and interest are due monthly with interest at 5.15% per annum. Future principal payments for years ending May 31, are as follows:

2022	\$ 105,460
2023	111,021
2024	116,875
2025	123,038
2026	129,527
2027	<u>1,755,695</u>
	<u>\$ 2,341,616</u>

8. Paycheck Protection Program Loan

On April 17, 2020, DPA received loan proceeds in the amount of \$1,103,700 under the Paycheck Protection Program ("PPP Loan"). The PPP Loan, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest is forgivable after eight or twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

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Notes to Financial Statements
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8. Paycheck Protection Program Loan (*continued*)

The unforgiven portion of the PPP Loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. DPA intends to use the entire PPP Loan amount for qualifying expenses.

Under the terms of the PPP Loan, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

On February 6, 2021, DPA received additional loan proceeds in the amount of \$1,103,700 under the Paycheck Protection Program ("second PPP Loan") with terms similar to the first PPP loan.

The unforgiven portion of the second PPP Loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first ten months. DPA intends to use the entire second PPP Loan amount for qualifying expenses.

As of May 31, 2021, the PPP Loans are recognized as debt on the statement of financial position.

On August 24, 2021, the SBA fully approved the forgiveness of the April 17, 2020 loan in the amount of \$1,103,700 under the Paycheck Protection Program ("PPP Loan").

DPA expects to apply for forgiveness for the second PPP Loan prior to December 2021.

The approximate annual maturity of the PPP Loans over the next six years are payable as follows (provided the PPP Loans are not forgiven) for the fiscal years ending May 31:

2022	\$ 524,257
2023	772,590
2024	358,703
2025	220,740
2026	220,740
2027	110,370
	<u>\$ 2,207,400</u>

9. Retirement Plans

DPA provides retirement benefits through a 403(b) defined contribution plan (the "plan") for its employees. Effective June 1, 2010, DPA uses a tiered match based on annual salaries. DPA's contributions to the plan were \$278,091 and \$282,222 for the years ended May 31, 2021 and 2020.

DPA also provides a non-qualified retirement plan, (The Executive 457(b) Retirement Plan of Drug Policy Alliance), for highly compensated employees who do not receive full 403(b) employer match from DPA. DPA's contribution to the 457(b) plan was \$3,896 and \$5,437 for the years ended May 31, 2021 and 2020.

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Notes to Financial Statements May 31, 2021

10. Net Assets with Donor Restriction

Net assets with donor restrictions at May 31, 2021 and 2020 are restricted for the following purposes:

	2021	2020
Purpose Restricted		
Strategic Planning Project	\$ 50,000	\$ -
Ending the Criminalization of Drug Use & Possession	210,871	246,883
Total Purpose Restricted	260,871	246,883
Time restricted	8,880,323	2,709,160
	\$ 9,141,194	\$ 2,956,043

Net assets released from restrictions in fiscal 2021 and 2020 are as follows:

	2021	2020
New Mexico Office	\$ -	\$ 30,704
New York Project	5,000	465,900
Ending the Criminalization of Drug Use & Possession	273,759	69,057
Audience Development	-	68,246
Harm Reduction	-	125,000
Reform Conference	-	180,650
Southern California	-	23,000
Policy	35,000	35,000
Executive	-	15,000
Municipal Drugs, New Mexico	65,146	16,000
Office of Legal Affairs	150,000	46,505
Office of National Affairs	10,000	30,000
Time restricted	2,152,804	1,507,750
	\$ 2,691,709	\$ 2,612,812

11. Related Party Transactions

As per an administrative service agreement between DPA and Drug Policy Action, Drug Policy Action reimburses DPA for all administrative, personnel and related expenses, and use of facilities. During the years ended May 31, 2021 and 2020, DPA charged Drug Policy Action \$119,053 and \$172,346 for expenses paid by DPA. During the years ended May 31, 2021 and 2020 Drug Policy Action made a grants totaling \$2,700,000 and \$10,454,562 to DPA.

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Notes to Financial Statements May 31, 2021

12. Lease Commitments

DPA leases its offices under various operating leases expiring through 2028. Rent expense for various offices was \$491,527 and \$698,942 for the years ended May 31, 2021 and 2020. Future minimum lease obligations are payable as follows at May 31, 2021:

2022	\$ 214,080
2023	219,959
2024	225,458
2025	231,095
2026	236,872
Thereafter	<u>283,425</u>
	<u>\$ 1,410,889</u>

13. Liquidity and Availability of Financial Assets

DPA's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows as of May 31:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 6,013,267	\$ 4,995,720
Investments	415,707	401,312
Accounts receivable	-	2,800
Due from Drug Policy Action	105,536	-
Grants receivable, net	<u>8,880,323</u>	<u>2,709,160</u>
Total Financial Assets	15,414,833	8,108,992
Less: Contractual or donor imposed restriction amounts		
Grants receivable- two years	2,654,793	1,731,171
Donor imposed restrictions	<u>260,871</u>	<u>246,883</u>
	<u>2,915,664</u>	<u>1,978,054</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 12,499,169</u>	<u>\$ 6,130,938</u>

As part of DPA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, DPA invests cash in excess of daily requirements in its investment portfolio. DPA anticipates that the 2021 expenditures will continue to be covered by contributions.

Drug Policy Alliance

Notes to Financial Statements
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14. Contingent Liabilities

DPA has been named as a party in a legal proceeding brought against it. DPA's management has reviewed this matter with legal counsel and in management's opinion, this action is defensible and management does not expect the ultimate resolution of this action to have a material adverse effect on DPA's financial position.

15. COVID-19

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. Because of the response to changing market conditions, the amount of losses, if any, cannot be determined.

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