

Drug Policy Alliance

Financial Statements

May 31, 2022

Independent Auditors' Report

Board of Directors
Drug Policy Alliance

Opinion

We have audited the accompanying financial statements of Drug Policy Alliance, which comprise the statement of financial position as of May 31, 2022 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles general accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Drug Policy Alliance's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Drug Policy Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Drug Policy Alliance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Drug Policy Alliance's May 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 2, 2022

Drug Policy Alliance

Statement of Financial Position
May 31, 2022
(with comparative amounts at May 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 8,861,944	\$ 6,013,267
Investments	395,931	415,707
Grants receivable, net	5,963,575	8,880,323
Prepaid expenses and other assets	54,481	57,395
Due from Drug Policy Action	173,638	105,536
Deposits	42,523	88,794
Property, equipment and leasehold improvements, net	<u>4,384,874</u>	<u>4,422,641</u>
	<u>\$ 19,876,966</u>	<u>\$ 19,983,663</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,479,021	\$ 551,148
Accrued compensated absences	287,684	363,151
PPP loan payable	-	2,207,400
Mortgage payable	<u>2,236,570</u>	<u>2,341,616</u>
Total Liabilities	<u>4,003,275</u>	<u>5,463,315</u>
 Net Assets		
Without donor restrictions	11,979,887	5,379,154
With donor restrictions	<u>3,893,804</u>	<u>9,141,194</u>
Total Net Assets	<u>15,873,691</u>	<u>14,520,348</u>
	<u>\$ 19,876,966</u>	<u>\$ 19,983,663</u>

See notes to financial statements

Drug Policy Alliance

Statement of Activities Year Ended May 31, 2022 (with summarized totals for the year ended May 31, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT, REVENUE AND INVESTMENT RETURN				
Grants and contributions	\$ 4,586,112	\$ 5,329,216	\$ 9,915,328	16,001,834
Drug Policy Action administration	68,102	-	68,102	119,053
Publications and videos	24,461	-	24,461	7,856
In-kind contributions	63,776	-	63,776	-
Investment return	(19,461)	-	(19,461)	15,729
Other income	105,777	-	105,777	40,900
Present value discount adjustment	-	69,960	69,960	(1,378)
Net assets released from restrictions	10,646,566	(10,646,566)	-	-
Total Support, Revenue and Investment Return	<u>15,475,333</u>	<u>(5,247,390)</u>	<u>10,227,943</u>	<u>16,183,994</u>
Program services	8,815,380	-	8,815,380	6,662,032
Management and general	841,162	-	841,162	2,601,220
Fundraising	1,689,697	-	1,689,697	1,678,041
Total Expenses	<u>11,346,239</u>	<u>-</u>	<u>11,346,239</u>	<u>10,941,293</u>
Change Before Other Income	<u>4,129,094</u>	<u>(5,247,390)</u>	<u>(1,118,296)</u>	<u>5,242,701</u>
Other Income				
PPP loan forgiveness	2,207,400	-	2,207,400	-
Government grants	264,239	-	264,239	405,987
Total Other Income	<u>2,471,639</u>	<u>-</u>	<u>2,471,639</u>	<u>405,987</u>
Change in Net Assets	6,600,733	(5,247,390)	1,353,343	5,648,688
NET ASSETS				
Beginning of year	<u>5,379,154</u>	<u>9,141,194</u>	<u>14,520,348</u>	<u>8,871,660</u>
End of year	<u>\$ 11,979,887</u>	<u>\$ 3,893,804</u>	<u>\$ 15,873,691</u>	<u>\$ 14,520,348</u>

See notes to financial statements

Drug Policy Alliance

Statement of Functional Expenses Year Ended May 31, 2022 (with summarized totals for the year ended May 31, 2021)

	2022			2021	
	Program Services	Management and General	Fundraising	Total	Total
Grants	\$ 800,000	\$ -	\$ -	\$ 800,000	\$ 885,000
Salaries	3,601,532	337,039	657,873	4,596,444	4,181,868
Payroll taxes and employee benefits	808,638	75,674	147,710	1,032,022	1,148,926
Management fees	171,955	61,126	44,240	277,321	644,898
Website redesign	173,164	16,205	31,631	221,000	-
Legal fees (includes contributed services of \$63,776 and \$0 in 2022 and 2021)	218,135	26,493	48,286	292,914	155,286
Auditing and tax services	-	51,993	-	51,993	45,613
Lobbying fees	351,254	-	-	351,254	331,752
Fundraising fees	-	-	381,913	381,913	281,687
Program fees	1,124,835	-	-	1,124,835	861,768
Advertising and marketing fees	145,595	-	5,214	150,809	139,223
Office expenses	155,990	19,941	30,856	206,787	177,796
Printing expenses	206,948	17,030	55,999	279,977	226,065
Postage and bulk mail	109,443	9,413	23,254	142,110	110,218
Information technology	102,596	71,674	18,558	192,828	185,684
Occupancy and related expenses	257,247	17,717	61,559	336,523	710,105
Staff and other travel	31,011	4,358	4,524	39,893	2,507
Conference, meetings, and seminars	62,607	37,322	3,978	103,907	102,080
Insurance	85,601	6,383	25,698	117,682	105,064
Lists	-	-	28,325	28,325	9,958
Books, subscriptions, and memberships	98,709	9,570	18,684	126,963	62,541
Bank and merchant service charges	35,967	3,362	9,780	49,109	46,256
Sundry	1,539	-	-	1,539	1,244
Other contributions	19,393	-	-	19,393	23,500
Loss on disposal of property and equipment	-	1,790	-	1,790	-
Board expenses	-	7,752	-	7,752	212
Penalties	-	-	-	-	40,631
Other expenses	18,572	-	8,093	26,665	13,656
Bad debt	-	50,000	-	50,000	19,449
Total Expenses Before Depreciation and Amortization and Interest Expense	8,580,731	824,842	1,606,175	11,011,748	10,512,987
Depreciation and amortization	136,757	9,109	70,496	216,362	304,943
Interest expense	97,892	7,211	13,026	118,129	123,363
Total Expenses	\$ 8,815,380	\$ 841,162	\$ 1,689,697	\$ 11,346,239	\$ 10,941,293

See notes to financial statements

Drug Policy Alliance

Statement of Cash Flows Year Ended May 31, 2022

(with comparative amounts for the year ended May 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,353,343	\$ 5,648,688
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	26,593	(6,181)
Depreciation and amortization	216,362	304,943
Loss on disposal of property and equipment	1,790	-
Bad debt expense	50,000	19,449
Present value discount	(69,960)	1,378
Forgiveness of PPP loan	(2,207,400)	-
Net changes in operating assets and liabilities		
Accounts receivable	-	2,800
Grants receivable	2,936,708	(6,191,990)
Prepaid expenses and other assets	2,914	14,022
Deposits	46,271	16,000
Due from Drug Policy Action	(68,102)	(105,536)
Accounts payable and accrued expenses	927,873	284,483
Due to Drug Policy Action	-	(18,805)
Accrued compensated absences	(75,467)	53,023
Net Cash from Operating Activities	3,140,925	22,274
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	(180,385)	-
Purchase of investments	(6,817)	(8,214)
Net Cash from Investing Activities	(187,202)	(8,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage	(105,046)	(100,213)
Proceeds from PPP loan payable	-	1,103,700
Net Cash from Financing Activities	(105,046)	1,003,487
Net Change in Cash and Cash Equivalents	2,848,677	1,017,547
CASH AND CASH EQUIVALENTS		
Beginning of year	6,013,267	4,995,720
End of year	\$ 8,861,944	\$ 6,013,267
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 118,129	\$ 123,363

See notes to financial statements

Drug Policy Alliance

Notes to Financial Statements
May 31, 2022

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, 2022

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. The most significant estimates affecting the financial statements are the valuation of investments, the estimation of allowance for uncollectible receivables, functional allocation of expenses and the estimation of depreciation expense.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2022

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 settlement-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, 2022

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, 2022 and 2021.

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.

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.

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.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2022

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

Advertising Costs

Advertising costs are expenses as incurred.

In-Kind Contributions

	2022	2021	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Services	<u>\$ 63,776</u>	<u>\$ -</u>	Program and Administration	No associated donor restrictions	Contributed services are valued at the estimated fair value based on current rates for similar services.

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 years prior to 2019.

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 December 2, 2022.

Prior Year Summarized Comparative Information

Information as of and for the year ended May 31, 2021, 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, 2021, from which the summarized comparative information was derived.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2022

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, 2022 and 2021, one funding source accounting for approximately 39% and 77% of grants receivable. In addition, during the fiscal years ended May 31, 2022 and 2021, one funding source accounted for approximately 24% and 45% of grants and contributions.

4. Investments

At May 30, 2022 and 2021, all of DPA's investments are mutual funds that are valued using Level 1 inputs under the fair value hierarchy. Investments were \$395,931 and \$415,707 at May 31, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 7,132	\$ 9,548
Net realized and unrealized (loss) gain on investment	<u>(26,593)</u>	<u>6,181</u>
	<u>\$ (19,461)</u>	<u>\$ 15,729</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, 2023, are discounted to their present value using an interest rate of 2.53%. 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>2022</u>	<u>2021</u>
Receivable within one year	\$ 5,953,822	\$ 6,225,530
Receivable within two years	10,000	2,725,000
Discount to present value	<u>(247)</u>	<u>(70,207)</u>
	<u>\$ 5,963,575</u>	<u>\$ 8,880,323</u>

Drug Policy Alliance

Notes to Financial Statements
May 31, 2022

6. Property, Equipment and Leasehold Improvements

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

	<u>2022</u>	<u>2021</u>
Office condominium	\$ 4,340,092	\$ 4,340,092
Leasehold improvements	1,055,379	887,814
Furniture and equipment	995,670	1,010,218
Books and periodicals	<u>49,910</u>	<u>49,910</u>
	6,441,051	6,288,034
Accumulated depreciation and amortization	<u>(2,056,177)</u>	<u>(1,865,393)</u>
	<u>\$ 4,384,874</u>	<u>\$ 4,422,641</u>

During the year ended May 31, 2022, DPA wrote off \$14,548 in assets due to the closure of four offices. DPA recognized a loss on disposal of \$1,790. DPA also wrote off fully depreciated assets totaling \$12,820.

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 and is collateralized by substantially all assets of DPA. Future principal payments for years ending May 31, are as follows:

2023	\$ 111,021
2024	116,875
2025	123,038
2026	129,527
2027	<u>1,756,109</u>
	<u>\$ 2,236,570</u>

8. Paycheck Protection Program Loan

On February 6, 2021, and April 17, 2020, DPA received loan proceeds in the amounts of \$1,103,700 and \$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 in 2019. 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.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2022

8. Paycheck Protection Program Loan (*continued*)

On August 24, 2021, and January 24, 2022, the SBA fully approved the forgiveness of the April 17, 2020 and February 6, 2021 loans in the aggregate amount of \$2,207,400 under the Paycheck Protection Program ("PPP Loan").

9. Government Grant Income

DPA qualified for the Employee Retention Credit ("ERC") during the fiscal years. The ERC is a fully refundable tax credit for employers who pay qualified wages and qualified health plan expenses to their employees. DPA recognized \$264,239 of ERC in 2022 and \$405,987 of ERC in 2021 reported as government grants on the statement of activities.

10. 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 \$294,770 and \$278,091 for the years ended May 31, 2022 and 2021.

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 \$5,833 and \$3,896 for the years ended May 31, 2022 and 2021.

11. Rental Income

DPA entered into a lease agreement with 1620 EYE L.L.C on August 1, 2016, to occupy one floor of the building. The lease is for an 11-year period ending on July 31, 2027. DPA is not currently using the space, and therefore, subleases the floor to The International Institute on Race, Equality and Human Rights. The term of the sublease is from May 1, 2021, through July 31, 2027. Future minimum lease amounts to be received as of May 31, 2022 are:

2023	\$	151,065
2024		157,108
2025		163,392
2026		185,994
2027		193,433
Thereafter		<u>33,417</u>
	\$	<u>884,409</u>

Drug Policy Alliance

Notes to Financial Statements May 31, 2022

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at May 31, 2022 and 2021 are restricted for the following purposes:

	2022	2021
Purpose Restricted		
Strategic Planning Project	\$ 50,000	\$ 50,000
Ending the Criminalization of Drug Use & Possession	226,551	210,871
New York Project	15,000	-
Total Purpose Restricted	291,551	260,871
Time restricted	3,602,253	8,880,323
	\$ 3,893,804	\$ 9,141,194

Net assets released from restrictions in fiscal 2022 and 2021 are as follows:

	2022	2021
New York Project	\$ 100,000	\$ 5,000
Ending the Criminalization of Drug Use & Possession	190,320	273,759
Southern California	12,500	-
Policy	258,216	35,000
Municipal Drugs, New Mexico	-	65,146
Office of Legal Affairs	-	150,000
Office of National Affairs	-	10,000
Time restricted	10,085,530	2,152,804
	\$ 10,646,566	\$ 2,691,709

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:

	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 8,861,944	\$ 6,013,267
Investments	395,931	415,707
Due from Drug Policy Action	173,638	105,536
Grants receivable, net	5,963,575	8,880,323
Total Financial Assets	15,395,088	15,414,833
Less: Contractual or donor imposed restriction amounts		
Grants receivable - two years	(9,753)	(2,654,793)
Donor imposed restrictions	(291,551)	(260,871)
	(301,304)	(2,915,664)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 15,093,784	\$ 12,499,169

Drug Policy Alliance

Notes to Financial Statements
May 31, 2022

13. Liquidity and Availability of Financial Assets *(continued)*

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 2023 expenditures will continue to be covered by contributions.

14. 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, 2022 and 2021, DPA charged Drug Policy Action \$68,102 and \$119,053 for expenses paid by DPA. During the years ended May 31, 2022 and 2021 Drug Policy Action made a grants totaling \$2,361,322 and \$2,700,000 to DPA.

15. Joint Cost Allocation

During fiscal years 2022 and 2021, DPA incurred joint costs of \$1,114,271 and \$821,610 for informational materials and activities that included fundraising appeals. DPA allocated \$677,531 and \$624,715 of these costs to fundraising expense and \$436,743 and \$196,895 of these costs to program services.

16. Lease Commitments

During the year then ended May 31, 2021, the leases for two locations expired and have not been renewed. During the year ended May 31, 2022, DPA had only one active lease expiring in 2028. Rent expense was \$214,775 and \$491,527 for the years ended May 31, 2022 and 2021. Future minimum lease obligations are payable as follows at May 31, 2022:

2023	\$ 219,959
2024	225,458
2025	231,095
2026	236,872
Thereafter	<u>283,425</u>
	<u>\$ 1,196,809</u>

17. Risk and Uncertainties

Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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