

Drug Policy Alliance

Financial Statements

May 31, 2020

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, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

February 11, 2021

Drug Policy Alliance

Statement of Financial Position
May 31, 2020
(with comparative amounts at May 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 4,995,720	\$ 94,894
Investments	401,312	383,181
Accounts receivable	2,800	17,472
Grants receivable, net	2,709,160	3,629,846
Prepaid expenses and other assets	71,417	86,172
Deposits	104,794	111,700
Property, equipment and leasehold improvements, net	<u>4,727,584</u>	<u>4,947,801</u>
 Total Assets	 <u>\$ 13,012,787</u>	 <u>\$ 9,271,066</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 266,665	\$ 146,437
Due to Drug Policy Action	18,805	-
Accrued compensated absences	310,128	295,294
PPP loan payable	1,103,700	-
Mortgage payable	<u>2,441,829</u>	<u>2,536,988</u>
Total Liabilities	<u>4,141,127</u>	<u>2,978,719</u>
Net Assets		
Without donor restrictions	5,915,617	2,157,911
With donor restrictions	<u>2,956,043</u>	<u>4,134,436</u>
Total Net Asset	<u>8,871,660</u>	<u>6,292,347</u>
	 <u>\$ 13,012,787</u>	 <u>\$ 9,271,066</u>

See notes to financial statements

Drug Policy Alliance

Statement of Activities Year Ended May 31, 2020 (with summarized totals for the year ended May 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT, REVENUE AND INVESTMENT RETURN				
Grants and contributions	\$ 13,165,975	\$ 1,367,355	\$ 14,533,330	\$ 12,255,894
Registrations and conference income	198,463	-	198,463	6,195
Other contributions	557,344	-	557,344	716,863
Drug Policy Action administration	172,346	-	172,346	196,013
Publications and videos	7,658	-	7,658	12,287
Investment return	20,795	-	20,795	35,402
Other income	56,677	-	56,677	9,278
Present value discount adjustment	-	67,064	67,064	17,754
Net assets released from restrictions	<u>2,612,812</u>	<u>(2,612,812)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Investment Return	<u>16,792,070</u>	<u>(1,178,393)</u>	<u>15,613,677</u>	<u>13,249,686</u>
Program services	8,543,329	-	8,543,329	9,786,179
Management and general	2,698,350	-	2,698,350	2,813,723
Fundraising	<u>1,792,685</u>	<u>-</u>	<u>1,792,685</u>	<u>1,805,913</u>
Total Expenses	<u>13,034,364</u>	<u>-</u>	<u>13,034,364</u>	<u>14,405,815</u>
Change Before Forgiveness of Loan	3,757,706	(1,178,393)	2,579,313	(1,156,129)
Forgiveness of loan	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,613,167)</u>
Change in Net Assets (Deficiency)	3,757,706	(1,178,393)	2,579,313	11,457,038
NET ASSETS (DEFICIENCY)				
Beginning of year	<u>2,157,911</u>	<u>4,134,436</u>	<u>6,292,347</u>	<u>(5,164,691)</u>
End of year	<u>\$ 5,915,617</u>	<u>\$ 2,956,043</u>	<u>\$ 8,871,660</u>	<u>\$ 6,292,347</u>

See notes to financial statements

Drug Policy Alliance

Statement of Functional Expenses Year Ended May 31, 2020 (with summarized totals for the year ended May 31, 2019)

	2020			2019	
	Program Services	Management and General	Fundraising	Total	Total
Grants	\$ 993,000	\$ -	\$ -	\$ 993,000	\$ 1,099,450
Salaries	3,215,020	1,101,992	688,178	5,005,190	6,103,857
Payroll taxes and employee benefits	751,215	342,903	199,029	1,293,147	1,563,869
Management fees	1,620	271,610	-	273,230	93,914
Legal fees	99,790	98,680	-	198,470	259,728
Auditing and tax services	-	48,144	-	48,144	44,188
Lobbying fees	214,412	36,333	-	250,745	377,824
Fundraising fees	-	-	237,889	237,889	248,754
Program fees	918,589	30,215	72,897	1,021,701	695,700
Advertising and marketing fees	202,365	-	37,932	240,297	142,989
Office expenses	249,410	37,055	12,521	298,986	349,325
Printing expenses	28,854	3,346	292,634	324,834	189,136
Postage and bulk mail	16,802	2,589	90,556	109,947	220,331
Information technology	128,693	48,281	18,190	195,164	273,726
Occupancy and related expenses	684,748	164,115	59,175	908,038	920,934
Staff and other travel	224,104	70,789	7,357	302,250	738,527
Conference, meetings and seminars	646,666	41,983	11,237	699,886	305,221
Insurance	7,166	85,766	-	92,932	98,791
Lists	-	-	14,283	14,283	27,414
Books, subscriptions and memberships	74,894	2,353	3,357	80,604	139,570
Bank and merchant service charges	5,994	20,967	23,251	50,212	71,859
Sundry	22,683	2,361	-	25,044	66,566
Board expenses	-	13,980	-	13,980	21,099
Bad debt	-	7,750	-	7,750	-
Total Expenses Before Depreciation and Amortization and Interest Expense	8,486,025	2,431,212	1,768,486	12,685,723	14,052,772
Depreciation and amortization	57,304	138,714	24,199	220,217	219,818
Interest expense	-	128,424	-	128,424	133,225
Total Expenses	<u>\$ 8,543,329</u>	<u>\$ 2,698,350</u>	<u>\$ 1,792,685</u>	<u>\$ 13,034,364</u>	<u>\$ 14,405,815</u>

See notes to financial statements

Drug Policy Alliance

Statement of Cash Flows Year Ended May 31, 2020

(with comparative amounts for the year ended May 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,579,313	\$ 11,457,038
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	(6,951)	(11,382)
Forgiveness of loan	-	(12,400,000)
Forgiveness of interest	-	(213,167)
Depreciation and amortization	220,217	219,818
Bad debt expense	7,750	-
Present value discount	(67,064)	(17,754)
Donated stock	(20,937)	(59,735)
Net changes in operating assets and liabilities		
Accounts receivable	14,672	(17,472)
Grants receivable	980,000	(232,804)
Prepaid expenses and other assets	14,755	13,368
Deposits	6,906	(2,495)
Accounts payable and accrued expenses	120,228	(79,245)
Due to Drug Policy Action	18,805	-
Accrued compensated absences	14,834	(27,613)
Net Cash from Operating Activities	3,882,528	(1,371,443)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, equipment and leasehold improvements	-	(7,960)
Purchase of investments	(10,822)	(17,272)
Proceeds from sale of investments	20,579	427,194
Net Cash from Investing Activities	9,757	401,962
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage	(95,159)	(90,361)
Proceeds from PPP loan payable	1,103,700	-
Net Cash from Financing Activities	1,008,541	(90,361)
Net Change in Cash and Cash Equivalents	4,900,826	(1,059,842)
CASH AND CASH EQUIVALENTS		
Beginning of year	94,894	1,154,736
End of year	\$ 4,995,720	\$ 94,894
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 128,424	\$ 133,225

See notes to financial statements

Drug Policy Alliance

Notes to Financial Statements
May 31, 2020

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, 2020

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.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2020

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

Change in Accounting Principle

On June 1, 2019, DPA adopted ASU 2014-09 Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Adoption of the guidance had an immaterial impact on DPA's financial statements.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as non-exchange transactions. ASU 2018-08 is effective for resource recipients for fiscal years after December 15, 2018. ASU 2018-08 is effective for resource providers for fiscal years beginning after December 15, 2019. Adoption of the ASU had an immaterial impact on DPA's financial statements.

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.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2020

2. Summary of Significant Accounting Policies (continued)

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.

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, 2020 and 2019.

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.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2020

2. Summary of Significant Accounting Policies (continued)

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.

Joint Cost Allocation

During fiscal years 2020 and 2019, DPA incurred joint costs of \$816,222 and \$771,973 for informational materials and activities that included fund-raising appeals. DPA allocated \$630,343 and \$589,292 of these costs to fundraising expense and \$185,879 and \$182,681 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 2017.

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 February 11, 2021.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2020

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

Prior Year Summarized Comparative Information

Information as of and for the year ended May 31, 2019 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, 2019, from which the summarized comparative information was derived.

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, 2020 and 2019, one funding source accounting for approximately 64% of grants receivable. In addition, during the fiscal year ended May 31, 2020 and 2019, one funding source accounted for approximately 67% and 52% of grants and contributions.

4. Investments

As of May 31, 2020 and 2019 all of DPA's investments are mutual funds that are valued using Level 1 inputs under the fair value hierarchy. Investments were \$401,312 and \$383,181 for the years ended May 31, 2020 and 2019.

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 13,844	\$ 24,020
Net realized and unrealized gain on investment	<u>6,951</u>	<u>11,382</u>
Total Investment Return	<u>\$ 20,795</u>	<u>\$ 35,402</u>

Drug Policy Alliance

Notes to Financial Statements May 31, 2020

5. Grants Receivable

Grants receivable from various foundations and individuals are due within one to ten years. Payments to be received after May 31, 2021 are discounted to their present value using an interest rate of 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.

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

	<u>2020</u>	<u>2019</u>
Receivable within one year	\$ 977,989	\$ 1,365,739
Receivable within two to four years	1,800,000	2,400,000
Discount to present value	<u>(68,829)</u>	<u>(135,893)</u>
Total	<u>\$ 2,709,160</u>	<u>\$ 3,629,846</u>

Management expects all receivables to be collected, accordingly no allowance has been provided for.

6. Property, Equipment and Leasehold Improvements

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

	<u>2020</u>	<u>2019</u>
Office condominium	\$ 4,340,092	\$ 4,340,092
Leasehold improvements	975,602	975,602
Furniture and equipment	1,010,218	1,010,218
Books and periodicals	<u>49,910</u>	<u>49,910</u>
	6,375,822	6,375,822
Less accumulated depreciation and amortization	<u>1,648,238</u>	<u>1,428,021</u>
	<u>\$ 4,727,584</u>	<u>\$ 4,947,801</u>

Drug Policy Alliance

Notes to Financial Statements May 31, 2020

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:

2021	\$	100,177
2022		105,460
2023		111,021
2024		116,875
2025		123,038
Thereafter		<u>1,885,258</u>
	\$	<u>2,441,829</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 loans and accrued interest are 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.

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.

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

2021	\$	-
2022		413,888
2023		551,850
2024		<u>137,962</u>
	\$	<u>1,103,700</u>

Drug Policy Alliance

Notes to Financial Statements May 31, 2020

9. Net Assets with Donor Restriction

Net assets with donor restrictions at May 31, 2020 and 2019 are restricted for the following purposes:

	2020	2019
Purpose Restricted		
Reform Conference	\$ -	\$ 100,400
New York Project	-	100,000
Ending the Criminalization of Drug Use & Possession	246,883	140,940
Audience Development	-	15,250
Harm Reduction	-	125,000
Southern California	-	23,000
Total Purpose Restricted	246,883	504,590
Time restricted	2,709,160	3,629,846
	\$ 2,956,043	\$ 4,134,436

Net assets released from restrictions in fiscal 2020 and 2019 are as follows:

	2020	2019
Criminal Justice Reform	\$ -	\$ 362,969
New Mexico Office	30,704	151,400
New York Project	465,900	18,000
Ending the Criminalization of Drug Use & Possession	69,057	89,170
Audience Development	68,246	9,686
Harm Reduction	125,000	94,280
Reform Conference	180,650	-
Southern California	23,000	76,601
Asset Forfeiture Program	-	63,071
Communications	-	3,000
Policy	35,000	-
Executive	15,000	-
New Jersey Project	-	175,000
Municipal Drugs, New Mexico	16,000	-
Office of Academic Engagement	-	389,618
Office of Legal Affairs	46,505	10,000
Office of National Affairs	30,000	-
Vital Project Fund	-	115,002
Time restricted	1,507,750	1,708,403
	\$ 2,612,812	\$ 3,266,200

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 \$282,222 and \$362,521 for the years ended May 31, 2020 and 2019.

Drug Policy Alliance

Notes to Financial Statements
May 31, 2020

10. Retirement Plans *(continued)*

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 \$5,437 and \$11,750 for the years ended May 31, 2020 and 2019.

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 year ended May 31, 2019, Drug Policy Action forgave the loan, and accumulated interest, due from DPA in the amount of \$12,613,167. During the years ended May 31, 2020 and 2019, DPA received from Drug Policy Action \$172,346 and \$196,013 for expenses paid by DPA. During the years ended May 31, 2020 and 2019 Drug Policy Action made a grants totaling \$10,454,562 and \$6,500,000 to DPA.

12. Lease Commitments

DPA leases its offices under various operating leases expiring through 2021. Rent expense for various offices was \$698,942 and \$726,527 for the years ended May 31, 2020 and 2019. Future minimum lease obligations are payable as follows at May 31, 2020:

2021	\$	469,929
2022		214,080
2023		219,960
2024		225,458
2025		231,095
Thereafter		<u>520,297</u>
	\$	<u>1,880,819</u>

13. 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.

Drug Policy Alliance

Notes to Financial Statements May 31, 2020

14. 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>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 4,995,720	\$ 94,894
Investments	401,312	383,181
Accounts receivable	2,800	17,472
Grants receivable, net	<u>2,709,160</u>	<u>3,629,846</u>
Total Financial Assets	8,108,992	4,125,393
Less: Contractual or donor imposed restriction amounts		
Grants receivable- two to four years	1,731,171	2,264,107
Donor imposed restrictions	<u>246,883</u>	<u>504,590</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 6,130,938</u>	<u>\$ 1,356,696</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.

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.

* * * * *