

# **Drug Policy Alliance**

Financial Statements

May 31, 2024

## **Independent Auditors' Report**

### **Board of Directors Drug Policy Alliance**

#### ***Opinion***

We have audited the accompanying financial statements of the Drug Policy Alliance, which comprise the statement of financial position as of May 31, 2024, and the related statements of activities, functional expenses, 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, 2024, 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 Drug Policy Alliance 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 the 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 that 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 judgment made by a reasonable user based on the financial statements.

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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

November 13, 2024

## Drug Policy Alliance

Statement of Financial Position  
May 31, 2024  
(with comparative amounts at May 31, 2023)

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,533,224	\$ 8,666,130
Investments	445,988	414,809
Accounts receivable	2,321	19,078
Grants receivable	5,490,423	5,810,000
Prepaid expenses and other assets	179,950	210,977
Due from Drug Policy Action	175,741	118,351
Deposits	42,523	42,523
Right of use asset - operating lease, net	700,120	907,967
Right of use asset - finance lease, net	22,142	14,015
Property, equipment and leasehold improvements, net	<u>4,346,813</u>	<u>4,370,136</u>
	<u>\$ 19,939,245</u>	<u>\$ 20,573,986</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 791,998	\$ 1,235,820
Accrued compensated absences	381,921	316,874
Deferred revenue	-	59,590
Mortgage payable	2,009,764	2,126,140
Lease liability, operating lease	717,983	919,648
Lease liability, finance lease	<u>22,627</u>	<u>14,201</u>
Total Liabilities	<u>3,924,293</u>	<u>4,672,273</u>
Net Assets		
Without donor restrictions	12,879,104	15,477,568
With donor restrictions	<u>3,135,848</u>	<u>424,145</u>
Total Net Assets	<u>16,014,952</u>	<u>15,901,713</u>
	<u>\$ 19,939,245</u>	<u>\$ 20,573,986</u>

See notes to financial statements

## Drug Policy Alliance

### Statement of Activities Year Ended May 31, 2024 (with summarized totals for the year ended May 31, 2023)

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>SUPPORT, REVENUE AND INVESTMENT RETURN</b>				
Grants and contributions, net	\$ 8,294,583	\$ 3,844,909	\$ 12,139,492	\$ 10,435,208
Registration and conference income	868,642	-	868,642	-
Drug Policy Action administration	128,068	-	128,068	118,351
Investment return	58,377	-	58,377	27,971
Other income	188,764	-	188,764	187,147
Net assets released from restrictions	1,133,206	(1,133,206)	-	-
Total Support, Revenue and Investment Return	<u>10,671,640</u>	<u>2,711,703</u>	<u>13,383,343</u>	<u>10,768,677</u>
<b>EXPENSES</b>				
Program services	11,172,211	-	11,172,211	8,701,125
Management and general	591,117	-	591,117	595,228
Fundraising	1,506,776	-	1,506,776	1,444,302
Total Expenses	<u>13,270,104</u>	<u>-</u>	<u>13,270,104</u>	<u>10,740,655</u>
Change Before Other Income	<u>(2,598,464)</u>	<u>2,711,703</u>	<u>113,239</u>	<u>28,022</u>
Change in Net Assets	(2,598,464)	2,711,703	113,239	28,022
<b>NET ASSETS</b>				
Beginning of year	<u>15,477,568</u>	<u>424,145</u>	<u>15,901,713</u>	<u>15,873,691</u>
End of year	<u>\$ 12,879,104</u>	<u>\$ 3,135,848</u>	<u>\$ 16,014,952</u>	<u>\$ 15,901,713</u>

See notes to financial statements

## Drug Policy Alliance

### Statement of Functional Expenses Year Ended May 31, 2024 (with summarized totals for the year ended May 31, 2023)

	2024			2023 Total	
	Program Services	Management and General	Fundraising		Total
Grants	\$ 515,500	\$ -	\$ -	\$ 515,500	\$ 314,000
Salaries	4,294,131	151,153	618,095	5,063,379	4,632,796
Payroll taxes and employee benefits	1,236,308	43,518	177,954	1,457,780	1,291,513
Management fees	65,459	75,072	2,594	143,125	163,548
Legal fees	37,500	69,946	-	107,446	137,249
Auditing and tax services	-	55,507	-	55,507	56,478
Lobbying fees	460,836	-	-	460,836	501,127
Fundraising fees	-	-	418,195	418,195	352,145
Program fees	1,446,152	-	-	1,446,152	695,483
Advertising and marketing fees	11,406	-	53,036	64,442	97,749
Office expenses	288,625	10,081	41,224	339,930	289,692
Printing expenses	118,308	4,117	16,836	139,261	156,144
Postage and bulk mail	179,214	1,592	6,512	187,318	148,100
Information technology	140,659	4,898	20,029	165,586	124,941
Occupancy and related expenses	348,703	3,799	15,534	368,036	359,004
Staff and other travel	278,062	47,426	30,258	355,746	281,043
Conference, meetings, and seminars	1,190,934	76,362	-	1,267,296	178,028
Insurance	91,696	3,228	13,199	108,123	100,756
Lists	-	-	37,109	37,109	35,764
Books, subscriptions, and memberships	61,224	1,182	1,493	63,899	61,996
Bank and merchant service charges	78,427	2,428	9,928	90,783	52,466
Other contributions	24,719	-	-	24,719	91,907
Board expenses	-	30,184	-	30,184	17,901
Penalties	-	-	-	-	12,334
Other expenses	12,349	346	2,750	15,445	20,232
Ballot initiatives	-	-	-	-	238,000
Total Expenses Before Depreciation and Amortization and Interest Expense	10,880,212	580,839	1,464,746	12,925,797	10,410,396
Depreciation and amortization	200,502	7,058	28,860	236,420	216,827
Interest expense	91,497	3,220	13,170	107,887	113,432
<b>Total Expenses</b>	<b>\$ 11,172,211</b>	<b>\$ 591,117</b>	<b>\$ 1,506,776</b>	<b>\$ 13,270,104</b>	<b>\$ 10,740,655</b>

See notes to financial statements

## Drug Policy Alliance

### Statement of Cash Flows Year Ended May 31, 2024

(with comparative amounts for the year ended May 31, 2023)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 113,239	\$ 28,022
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gain on investments	(16,165)	(7,881)
Amortization of right of use asset - operating lease	207,847	202,085
Amortization of right of use asset - finance lease	13,650	28,029
Depreciation and amortization	236,420	216,827
Present value discount	107,703	(247)
Net changes in operating assets and liabilities		
Accounts receivable	16,757	(19,078)
Grants receivable	211,874	153,822
Prepaid expenses and other assets	31,027	(156,496)
Due from Drug Policy Action	(57,390)	55,287
Accounts payable and accrued expenses	(443,822)	(243,201)
Deferred revenue	(59,590)	59,590
Accrued compensated absences	65,047	29,190
Lease payable, net of amortization of imputed interest	(201,666)	(190,404)
Net Cash from Operating Activities	224,931	155,545
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, equipment and leasehold improvements	(213,097)	(202,089)
Purchase of investments	(15,014)	(10,997)
Net Cash from Investing Activities	(228,111)	(213,086)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of mortgage	(116,376)	(110,430)
Payments on finance lease obligation	(13,350)	(27,843)
Net Cash from Financing Activities	(129,726)	(138,273)
Net Change in Cash and Cash Equivalents	(132,906)	(195,814)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	8,666,130	8,861,944
End of year	\$ 8,533,224	\$ 8,666,130
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 106,906	\$ 112,714
Right of use asset recognized	21,777	1,152,096

See notes to financial statements

# Drug Policy Alliance

Notes to Financial Statements  
May 31, 2024

## 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](http://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, 2024

### 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, 2024

### **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, 2024

### 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. Property, equipment and leasehold improvements in excess of \$3,000 are 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. Depreciation and amortization is provided over the estimated useful lives on the straight-line basis, and is recognized as a nonoperating expense. The estimated useful lives are as follows:

Office condo	40 years
Leasehold improvements	10 - 15 years
Furniture and equipment	5 - 10 years

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, less costs to sell. There were no asset impairments for the years ended May 31, 2024 and 2023.

#### ***Leases***

DPA leases its facilities and determines if an arrangement is a lease at inception. Their operating lease is included in right-of-use operating lease asset and lease liability for operating lease on the accompanying statement of financial position.

DPA leases its copier under a financing lease agreement, through November 2026, which is included in right of-use financing lease asset and lease liability for financing lease on the accompanying statement of financial position.

ROU asset represents the right to use an underlying asset for the lease term and lease liability represents the obligation to make lease payments arising from the lease. ROU asset and liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease does not provide an implicit borrowing rate. DPA uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. Lease terms may include options to extend the lease and when it is reasonably certain that DPA will exercise that option. Such amounts are included in ROU assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term. DPA's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

## Drug Policy Alliance

Notes to Financial Statements  
May 31, 2024

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

#### ***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.

#### ***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 years prior to 2021.

#### ***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 13, 2024.

#### ***Prior Year Summarized Comparative Information***

Information as of and for the year ended May 31, 2023, 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, 2023, from which the summarized comparative information was derived.

## Drug Policy Alliance

Notes to Financial Statements  
May 31, 2024

### 3. Concentrations of Credit Risk

Financial instruments that potentially subject DPA to a concentration of credit and market risk consists principally of cash and cash equivalents on deposit with financial institutions, investments held at financial institutions and grant receivables. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation (“SIPC”) are insured up to \$500,000 (\$250,000 for cash holdings). At times balances may exceed the FDIC and the SIPC limit.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk.

At May 31, 2024, three funding sources accounted for approximately 81% of grants receivable. At May 31, 2023 one funding source accounted for 90% of grants receivable. In addition, during the fiscal years ended May 31, 2024 and 2023, one funding source accounted for approximately 37% and 50% of grants and contributions. DPA performs ongoing collectability evaluation and writes off uncollectible amounts as they become known.

### 4. Investments

At May 31, 2024 and 2023, all of DPA’s investments are mutual funds that are valued using Level 1 inputs under the fair value hierarchy. Investments were \$445,988 and \$414,809 at May 31, 2024 and 2023.

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

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 42,212	\$ 20,090
Net realized and unrealized gain on investment	<u>16,165</u>	<u>7,881</u>
	<u>\$ 58,377</u>	<u>\$ 27,971</u>

## Drug Policy Alliance

### Notes to Financial Statements May 31, 2024

#### 5. Grants Receivable

Grants receivable from various foundations and individuals are due within one to two years. Payments to be received after May 31, 2025, are discounted to their present value using an interest rate ranging from 4.61% to 4.89%. 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:

	2024	2023
Receivable within one year	\$ 3,948,126	\$ 5,810,000
Receivable within two years	950,000	-
Receivable within three years	600,000	-
Receivable within four years	100,000	-
Discount to present value	(107,703)	-
	\$ 5,490,423	\$ 5,810,000

#### 6. Property, Equipment and Leasehold Improvements

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

	2024	2023
Office condominium	\$ 4,340,092	\$ 4,340,092
Leasehold improvements	1,384,561	1,257,468
Furniture and equipment	412,205	409,218
	6,136,858	6,006,778
Accumulated depreciation and amortization	(1,790,045)	(1,636,642)
	\$ 4,346,813	\$ 4,370,136

During the year ended May 31, 2024 and 2023, DPA wrote off \$83,699 and \$636,362 in assets due to the closure of four offices as well as assets being fully depreciated.

## Drug Policy Alliance

Notes to Financial Statements  
May 31, 2024

### 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:

2025	\$ 123,038
2026	129,527
2027	<u>1,757,199</u>
	<u>\$ 2,009,764</u>

### 8. 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 \$348,319 and \$318,656 for the years ended May 31, 2024 and 2023.

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 \$5,484 and \$5,248 for the years ended May 31, 2024 and 2023.

### 9. 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, 2024 are:

2025	\$ 163,392
2026	185,994
2027	193,433
2028	<u>33,417</u>
	<u>\$ 576,236</u>

## Drug Policy Alliance

### Notes to Financial Statements May 31, 2024

#### 10. Net Assets With Donor Restrictions

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

	2024	2023
Purpose Restricted		
Ending the Criminalization of Drug Use and Possession	\$ 143,551	\$ 226,551
Institutional Strengthening	937,388	187,594
Total Purpose Restricted	1,080,939	414,145
Time restricted	2,054,909	10,000
	\$ 3,135,848	\$ 424,145

Net assets released from restrictions in fiscal 2024 and 2023 are as follows:

	2024	2023
New York Project	\$ 100,000	\$ 40,000
Ending the Criminalization of Drug Use and Possession	83,000	-
Reform Conference	190,000	-
Policy	150,000	-
Institutional Strengthening	600,206	267,406
Strategic Planning Project	-	50,000
DC Decriminalization	-	100,000
Time restricted	10,000	3,592,253
	\$ 1,133,206	\$ 4,049,659

#### 11. 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 statements of financial position were as follows as of May 31:

	2024	2023
Financial Assets:		
Cash and cash equivalents	\$ 8,533,224	\$ 8,666,130
Investments	445,988	414,809
Accounts receivable	2,321	19,078
Due from Drug Policy Action	175,741	118,351
Grants receivable, net	5,490,423	5,810,000
Total Financial Assets	14,647,697	15,028,368
Less: Contractual or donor imposed restriction amounts		
Grants receivable - two years or greater	(1,542,297)	-
Donor imposed restrictions	(143,551)	(414,145)
	(1,685,848)	(414,145)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 12,961,849	\$ 14,614,223

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 2025 expenditures will continue to be covered by contributions.



## Drug Policy Alliance

Notes to Financial Statements  
May 31, 2024

### 12. 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, 2024 and 2023, DPA charged Drug Policy Action \$175,741 and \$118,351 for expenses paid by DPA. During the years ended May 31, 2024 and 2023 Drug Policy Action made grants totaling \$860,000 and \$5,250,000 to DPA.

### 13. Joint Cost Allocation

During fiscal years 2024 and 2023, DPA incurred joint costs of \$1,372,682 and \$1,158,618 for informational materials and activities that included fundraising appeals. DPA allocated \$804,263 and \$702,940 of these costs to fundraising expense and \$568,418 and \$455,678 of these costs to program services.

### 14. Lease Commitments

#### *Operating Lease*

During the years ended May 31, 2024 and 2023, DPA had only one active operating lease expiring in 2028. Rent expense was \$232,101 and \$232,089 for the years ended May 31, 2024 and 2023.

At May 31, 2024 and 2023, DPA has an operating lease liability of \$717,983 and \$919,648. The average interest rate used in calculating the lease liability was approximately 2.94% for both years. The weighted-average remaining lease term in years for the operating lease as of May 31, 2024 and 2023 was 3.17 and 4.17. For the years ended May 31, 2024 and 2023, supplemental cash flow information for cash paid for amounts included in the measurement of lease liabilities from the operating lease included in operating cash flows amounted to \$201,666 and \$190,404.

	<u>2024</u>	<u>2023</u>
Right of use - operating lease asset	\$ 1,110,052	\$ 1,110,052
Less accumulated amortization	<u>(409,932)</u>	<u>(202,085)</u>
	<u>\$ 700,120</u>	<u>\$ 907,967</u>

## Drug Policy Alliance

### Notes to Financial Statements May 31, 2024

#### 14. Lease Commitments *(continued)*

At May 31, 2024 and 2023, DPA has a financing lease liability of \$22,627 and \$14,201, respectively. The average interest rate used in calculating the lease liability was approximately 4.83% and 2.66% for the years ended May 31, 2024 and 2023. The weighted-average remaining lease term in years for the finance lease as of May 31, 2024 and 2023 was 2.50 and 0.50. For the years ended May 31, 2024 and 2023, supplemental cash flow information for cash paid for amounts included in the measurement of lease liabilities from the financing lease included in financing cash flows amounted to \$13,350 and \$27,843.

	2024	2023
Right of use - finance lease asset	\$ 63,821	\$ 42,044
Less accumulated amortization	(41,679)	(28,029)
	\$ 22,142	\$ 14,015

The minimum future rental payments for DPA under the lease agreements through fiscal year 2028 are as follows:

	Operating	Finance	Total
2025	\$ 231,095	\$ 9,588	\$ 240,683
2026	236,872	9,588	246,460
2027	242,794	4,794	247,588
2028	40,631	-	40,631
Less: present value discount	(33,409)	(1,343)	(34,752)
	\$ 717,983	\$ 22,627	\$ 740,610

\* \* \* \* \*