



PARTNERSHIP TO END ADDICTION

Financial Statements

December 31, 2021

(With summarized comparative financial information as of
and for the year ended December 31, 2020)

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Partnership to End Addiction:

Opinion

We have audited the financial statements of Partnership to End Addiction (formerly named The National Center on Addiction and Substance Abuse) (the Partnership), which comprise the balance sheet as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Partnership 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 U.S. generally accepted accounting principles, 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 Partnership's ability to continue as a going concern for 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 GAAS 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 a 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 GAAS, 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 Partnership'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 Partnership'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 the Partnership to End Addiction's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

New York, New York
August 11, 2022

PARTNERSHIP TO END ADDICTION

Balance Sheet

December 31, 2021

(With comparative financial information as of
December 31, 2020)

Assets	2021	2020
Cash and cash equivalents	\$ 3,538,180	1,988,856
Grants and contributions receivable, net (note 4)	2,138,923	2,066,856
Prepaid expenses	1,170,146	1,200,119
Investments (note 3)	51,824,239	52,812,716
Other assets	475,476	766,643
Goodwill, net	746,375	853,000
Property and equipment, net (note 6)	1,782,297	783,447
Total assets	<u>\$ 61,675,636</u>	<u>60,471,637</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 11)	\$ 2,502,311	2,523,555
Paycheck protection loan payable (note 7)	875,000	1,100,000
Deferred rent	3,335,089	1,791,689
Deferred revenue	24,399	94,462
Total liabilities	<u>6,736,799</u>	<u>5,509,706</u>
Net assets:		
Without donor restrictions:		
Available for operations	4,282,403	10,606,637
Amounts designated for (note 2):		
The Joseph A. Califano, Jr. Institute for Applied Policy	14,385,772	12,843,704
Program Concentration Fund	28,836,128	25,829,752
Total without donor restrictions	47,504,303	49,280,093
With donor restrictions (note 9)	7,434,534	5,681,838
Total net assets	<u>54,938,837</u>	<u>54,961,931</u>
Total liabilities and net assets	<u>\$ 61,675,636</u>	<u>60,471,637</u>

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Activities

Year ended December 31, 2021
(With summarized financial information for the
year ended December 31, 2020)

	2021			2020 Total
	Without donor restrictions	With donor restrictions	Total	
Revenues:				
Contributions of cash (note 4)	\$ 3,988,828	8,701,044	12,689,872	7,896,665
Net investment return	5,165,994	703,038	5,869,032	3,975,095
Contributions of nonfinancial assets (note 5)	60,873,307	—	60,873,307	85,883,984
Gain on sale of building (note 6)	—	—	—	16,072,887
Miscellaneous revenue	27,606	—	27,606	24,067
Net assets released from donor restrictions	7,648,924	(7,648,924)	—	—
Total revenues	<u>77,704,659</u>	<u>1,755,158</u>	<u>79,459,817</u>	<u>113,852,698</u>
Expenses and losses:				
Program operations:				
Public policy	1,095,610	—	1,095,610	828,023
Health and treatment research	4,180,824	—	4,180,824	4,584,506
Research and program development	1,168,834	—	1,168,834	1,375,192
Communications and outreach	64,731,649	—	64,731,649	90,225,560
Family services	3,657,045	—	3,657,045	2,878,080
Total program operations	<u>74,833,962</u>	<u>—</u>	<u>74,833,962</u>	<u>99,891,361</u>
Supporting services:				
Administration	4,151,494	—	4,151,494	7,000,075
Fundraising	1,608,887	—	1,608,887	1,311,956
Total supporting services	<u>5,760,381</u>	<u>—</u>	<u>5,760,381</u>	<u>8,312,031</u>
Total expenses	<u>80,594,343</u>	<u>—</u>	<u>80,594,343</u>	<u>108,203,392</u>
Loss on uncollectible grants and contributions receivable	<u>—</u>	<u>2,462</u>	<u>2,462</u>	<u>66,590</u>
Total expenses and losses	<u>80,594,343</u>	<u>2,462</u>	<u>80,596,805</u>	<u>108,269,982</u>
(Deficiency) excess of operating revenues over operating expenses and losses	(2,889,684)	1,752,696	(1,136,988)	5,582,716
Nonoperating activities:				
Extinguishment of debt (note 7)	1,113,894	—	1,113,894	—
(Decrease) increase in net assets	(1,775,790)	1,752,696	(23,094)	5,582,716
Net assets at beginning of year	<u>49,280,093</u>	<u>5,681,838</u>	<u>54,961,931</u>	<u>49,379,215</u>
Net assets at end of year	<u>\$ 47,504,303</u>	<u>7,434,534</u>	<u>54,938,837</u>	<u>54,961,931</u>

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Functional Expenses

Year ended December 31, 2021
(With summarized financial information for the
year ended December 31, 2020)

	Public policy	Health and treatment research	Research and program development	Communications and outreach	Family services	Total program operations	Administration	Fundraising	Total supporting services	Total expenses	
										2021	2020
Salaries and wages	\$ 554,093	1,558,245	671,876	1,195,800	1,748,812	5,728,826	1,844,916	629,266	2,474,182	8,203,008	9,003,569
Fringe benefits	201,170	504,567	236,508	417,137	613,126	1,972,508	683,913	220,500	904,413	2,876,921	2,704,734
Total salaries and wages and fringe benefits	755,263	2,062,812	908,384	1,612,937	2,361,938	7,701,334	2,528,829	849,766	3,378,595	11,079,929	11,708,303
Professional services	49,622	446,212	30,198	62,483,287	483,470	63,492,789	817,050	390,147	1,207,197	64,699,986	89,696,212
Communications/marketing/promotional	—	—	—	437	—	437	1,053	—	1,053	1,490	4,790
Pass-through grants and contracts	—	1,057,518	—	—	54,666	1,112,184	—	—	—	1,112,184	499,175
Office expenses and supplies	415	15,523	4,022	23,648	3,426	47,034	120,349	2,811	123,160	170,194	236,344
Occupancy and related costs	134,053	366,131	161,230	286,283	419,224	1,366,921	308,181	150,826	459,007	1,825,928	4,385,510
Equipment maintenance	—	31,421	167	76,543	129,059	237,190	115,212	93,912	209,124	446,314	286,263
Travel, meetings, and conferences	104,838	50,587	1,201	6,594	20,089	183,309	11,488	3,781	15,269	198,578	125,957
Dues, subscriptions, and publications	266	10,909	2,109	132,667	25,203	171,154	52,148	36,380	88,528	259,682	150,563
Insurance	10,605	28,965	12,755	22,648	33,165	108,138	36,657	11,932	48,589	156,727	151,791
Interest/financing	—	—	—	—	—	—	14,427	—	14,427	14,427	7,233
Depreciation and amortization	40,548	110,746	48,768	86,594	126,805	413,461	140,156	45,621	185,777	599,238	612,800
Miscellaneous	—	—	—	11	—	11	5,944	23,711	29,655	29,666	338,451
Total expenses	\$ 1,095,610	4,180,824	1,168,834	64,731,649	3,657,045	74,833,962	4,151,494	1,608,887	5,760,381	80,594,343	108,203,392

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Cash Flows

Year ended December 31, 2021
(With summarized financial information for the
year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (23,094)	5,582,716
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and amortization	599,238	612,800
Extinguishment of debt	(1,100,000)	—
Gain on sale of building	—	(16,072,887)
Net appreciation in fair value of investments	(4,963,725)	(2,936,202)
Loss on uncollectible grants and contributions receivable	2,462	66,590
Changes in operating assets and liabilities:		
Grants and contributions receivable	(74,529)	396,794
Prepaid expenses	29,973	302,096
Other assets	—	(197,976)
Accounts payable and accrued expenses	(21,244)	460,023
Deferred rent	1,543,400	1,791,689
Deferred revenue	(70,063)	(612,886)
Net cash used in operating activities	<u>(4,077,582)</u>	<u>(10,607,243)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	104,082,488	95,883,186
Purchases of investments	(98,130,286)	(108,767,077)
Acquisitions of property and equipment	(1,200,296)	(579,733)
Proceeds from sale of building	—	23,241,000
Net cash provided by investing activities	<u>4,751,906</u>	<u>9,777,376</u>
Cash flows from financing activity:		
Proceeds from paycheck protection loan	<u>875,000</u>	<u>1,100,000</u>
Net cash provided by financing activity	<u>875,000</u>	<u>1,100,000</u>
Net increase in cash and cash equivalents	1,549,324	270,133
Cash and cash equivalents at beginning of year	<u>1,988,856</u>	<u>1,718,723</u>
Cash and cash equivalents at end of year	<u>\$ 3,538,180</u>	<u>1,988,856</u>
Supplemental disclosures of cash flow information:		
Contribution of nonfinancial assets	\$ 60,873,307	85,883,984

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

December 31, 2021

(With summarized comparative financial information as of
December 31, 2020)

(1) Organization and Tax-Exempt Status

Incorporated in April 1991, the Partnership to End Addiction (the Partnership) is a not-for-profit organization that informs Americans of the economic and social costs of addiction and risky substance use and its impact on their lives; assesses what works in prevention, treatment, and disease management; and encourages every individual and institution to take responsibility to reduce these health problems. The Partnership strives to provide healthcare providers, policymakers, and individuals with the tools they need to succeed and to remove the stigma of addiction, replacing shame and despair with hope. The Partnership helps empower families to support loved ones, advance effective addiction care, and shape public policies to prevent and treat addiction as a public health issue.

The Partnership's has been classified as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 509(a) and has been designated as a "publicly supported" organization under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The Partnership recognizes the effect of income tax provisions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Partnership's exempt purpose is subject to tax under Internal Revenue Code Section 511. Taxes on disallowed expenses and Value Added Tax paid were included in the Sections of the expenses on which the tax was imposed. As of December 31, 2021, and 2020, the Partnership does not have any uncertain tax positions or any unrelated income tax liability, which would have a material impact on its financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Partnership and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions also include amounts designated for The Joseph A. Califano, Jr. Institute for Applied Policy and the Program Concentration Fund (the PCF). A description of each follows.

In 2010, the Partnership's Board of Directors authorized a fundraising campaign and agreed that the funds raised would be used to establish The Joseph A. Califano, Jr. Institute for Applied Policy (Califano Institute). This fund supports research to enhance awareness, among the general public and policymakers, of the facts and costs of substance abuse and addiction and catalyze the design and implementation of policies and programs for prevention and treatment of substance abuse and addiction as a medical condition. Its efforts aim to embed a fuller understanding into policy systems and practical programs at the national, state, and local levels. The fund provides funding annually to undertake various research not funded by other sources.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

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(With summarized comparative financial information as of
December 31, 2020)

The net assets of the PCF are designated by the Partnership's Board of Directors to be used for the research and understanding of substance abuse, often before projects are ready for specific program funding. The PCF underwrites the research and program development capacity to accomplish this. The asset allocation target objectives for the investment portfolio are achieved by using a combination of diversified low-cost mutual funds and multistrategy funds. The PCF fund has no restriction to use and may be used for operating purposes, when needed. For 2021, \$500,000 has been budgeted for various unfunded policy work.

Net assets with donor restricted – Net assets subject to donor-imposed stipulations that will be met by either actions of the Partnership and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets 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 donor restrictions on net assets (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.

(c) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date.
- Level 2 inputs include quoted or published prices for similar assets or liabilities; quoted or published prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the assets or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(d) Cash and Cash Equivalents

Cash and cash equivalents include all short-term liquid investments with original maturities of three months or less, except for those short-term investments held by the Partnership's investment managers as part of a long-term investment strategy.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

December 31, 2021

(With summarized comparative financial information as of
December 31, 2020)

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying balance sheet, as determined by quoted or published market prices.

Investments in funds that do not have readily determinable fair values (alternative investments) are measured at estimated fair value using net asset value per share or its equivalent as a practical expedient as reported by the fund managers. The estimated fair values may differ significantly from values that would have been used had a ready market for these securities existed. These values are reviewed and evaluated by management for reasonableness.

Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and interest and dividends are recognized as revenue in the period earned.

(f) Property and Equipment and Intangible Assets

Property and equipment are recorded at cost. Furniture and equipment are depreciated on a straight-line basis over their estimated useful lives of 3–10 years. Leasehold Improvements are depreciated on a straight-line basis over their estimated useful lives of 15 years. Intangible assets, which relate primarily to website design, are being amortized over their estimated lives of 3–4 years.

(g) Contributions of Nonfinancial Assets

The value of donated services is based on information obtained from the providers and is reported as both revenues and expenses in the accompanying statement of activities. A number of broadcast and print media, advertising agencies, and production, distribution, and monitoring service companies have made contributions to the Partnership in the form of pro bono advertising time and space, talent, production, and related services. The Partnership is dependent on these contributions to continue its current programs. The Partnership's policy for recognizing contributed advertising, including media time and space, is to recognize the contributed asset if it is determined that the contributions are for the benefit of the Partnership, help the Partnership communicate its message, and that the Partnership has significant influence over the creative product.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The value of these contributions is required to be reflected in the accompanying statement of activities at fair value. Fair value of the contributed services, media time, and space has been determined by using unobservable inputs, such as the number of spots aired, net impressions, and rate per spot.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

December 31, 2021

(With summarized comparative financial information as of
December 31, 2020)

(h) Contributions of Cash and Other Financial Assets

Contributions, including unconditional promises to give (pledges), are initially reported at fair value as revenues in the period received or pledged. Contributions with purpose and/or time restrictions are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Contributions subject to donor-imposed restrictions that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional grants and contributions to be recognized in future periods are approximately \$3,360,000.

Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized as revenue until the performance barrier has been met. Contributions of assets other than cash are recorded at their estimated fair value.

(i) Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs such as insurance, legal fees, depreciation and amortization, and occupancy costs have been allocated among the programs and supporting services benefited. The allocation is primarily based on personnel hours charged to divisions.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Estimates made in the preparation of the financial statements include the fair value of alternative investments, and donated media. Actual results could differ from those estimates.

(k) Prior Year Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or function in the accompanying statement of activities and the statement of functional expenses, respectively. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Partnership's financial statements as of and for the year ended December 31, 2020, from which the summarized information was derived.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

December 31, 2021

(With summarized comparative financial information as of

December 31, 2020)

(l) New Accounting Pronouncements

In March 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-03, *Intangibles – Goodwill and Other (Topic 350)*, which provides an accounting alternative for private companies and not-for-profit entities to assess goodwill impairment triggering events only at reporting dates (interim or annual). Before adopting ASU 2021-03, the Partnership identified and evaluated goodwill impairment triggering events when they occurred to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount. The adoption of ASU 2021-03 did not have a material effect on the Partnership's financial statements.

The Partnership also adopted FASB ASU 2019-06, *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-For-Profit Entities*, which reduces the cost and complexity associated with the accounting for goodwill and certain intangible assets without significantly reducing relevance to users of not-for-profit financial statements. The standard provides a goodwill alternative to amortize goodwill on a straight-line basis over 10 years, unless it demonstrates that a shorter useful life is more appropriate. The Partnership amortizes Goodwill over 8 years. The adoption of ASU 2019-06 did not have a material impact on the Partnership's financial statements.

During the year the Partnership elected to early adopt ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The guidance enhances presentation and disclosure requirements for not-for-profit entities that received contributed nonfinancial assets. The adoption of ASU 2020-07 did not have a material effect on the Partnership's financial statements.

(m) Reclassifications

Certain prior year amounts were reclassified in order to conform to the current year presentation.

(3) Investments

The Partnership invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

December 31, 2021

(With summarized comparative financial information as of

December 31, 2020)

The following table presents the fair value hierarchy for investments, the only financial instruments measured at fair value, as of December 31, 2021 and 2020:

	2021		2020	
	<u>Fair value</u>	<u>Level 1</u>	<u>Fair value</u>	<u>Level 1</u>
Money market funds	\$ 2,290,178	2,290,178	12,939,457	12,939,457
Fixed income mutual funds	2,771,449	2,771,449	783,068	783,068
Equity mutual funds:				
Domestic	21,392,250	21,392,250	11,794,912	11,794,912
International	12,424,270	12,424,270	11,006,990	11,006,990
U.S. Treasury securities	4,699,953	4,699,953	5,999,880	5,999,880
	<u>43,578,100</u>	<u>43,578,100</u>	<u>42,524,307</u>	<u>42,524,307</u>
Investments reported at net asset value:				
Absolute return fund	4,197,763		4,685,798	
Event-driven fund	4,048,376		5,598,260	
International value fund	—		4,351	
Total investments reported at net asset value	<u>8,246,139</u>		<u>10,288,409</u>	
Total investments	<u>\$ 51,824,239</u>		<u>52,812,716</u>	

In addition to mutual funds, the Partnership holds shares or units in alternative investment funds. These strategies involve funds whose managers have the authority to invest in various asset classes at their discretion. The investment strategies in these alternative investments are as follows:

Absolute return fund – This investment follows an absolute return approach that combines relative value and arbitrage strategies with opportunistic investments. The investment seeks capital preservation through superior risk-adjusted returns with relatively low volatility and relatively low correlation to most major market indices. The fund generally strives to hedge most systematic risks, including equity, currency, and commodity risk and to selectively take exposure to interest rate, curve, credit spread, credit default, volatility, and various idiosyncratic risks.

Event-driven fund – The fund seeks to achieve capital appreciation and engages primarily in event-driven investments to attempt to exploit situations in which announced or anticipated events create inefficiencies in the pricing of securities. The fund invests primarily in the securities of issuers experiencing financial distress, that are attempting to complete an out-of-court restructuring, are involved in a bankruptcy or similar proceeding, and/or are involved in substantial litigation or that are the subject of proposed changes in corporate structure or control, such as tender or exchange offers, mergers, unsolicited merger proposals, spin-offs, split-offs, liquidations, and recapitalizations.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

December 31, 2021

(With summarized comparative financial information as of

December 31, 2020)

International value fund – The fund seeks to achieve appreciation through investments in a broad range of securities including public equities and debt securities, direct loans, real estate debt, and other instruments.

Redemption for the absolute return fund is allowed quarterly with 90 days' notice with a maximum redemption of 25% per quarter and redemption for the event-driven fund is allowed quarterly with 60 days' notice. Redemption for the international value fund is allowed every two years on the anniversary date with 90 days' notice.

(4) Contributions of Cash and Other Financial Assets

Grants and contributions receivable were \$2,138,923 and \$2,066,856 for the years ended December 31, 2021 and 2020, respectively. Balances are expected to be collected within one year.

During 2021 and 2020, 48% of grants and contributions revenue were from six funding sources, respectively. At December 31, 2021 and 2020, 51% and 46% of grants and contributions receivable, net, were from three funding sources.

(5) Contributions of nonfinancial assets

For the years ending December 31, 2021 and 2020, contributed nonfinancial assets recognized within the statement of activities include:

	<u>2021</u>	<u>2020</u>
Advertising	\$ 60,502,251	85,581,552
Legal services	371,056	302,432
Total contributions of non financial assets	<u>\$ 60,873,307</u>	<u>85,883,984</u>

The Partnership recognized contributed nonfinancial assets within revenue, including contributed advertising and legal services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed advertising recognized comprise advertisements ran on the Partnership's behalf through various media outlets; TV, radio, digital, and print in the form of other public service announcements. Contributed advertisements are valued and are reported at the estimated fair value in the financial statements based on current rates for similar advertisements. Donated advertising supports programs to inform and empower families.

Contributed legal services recognized comprise professional services from attorneys advising the Partnership on various legal matters. Contributed legal services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

December 31, 2021

(With summarized comparative financial information as of

December 31, 2020)

(6) Property and Equipment

Property and equipment, net at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture & fixtures	\$ 2,232,702	2,201,740
Leasehold improvements	1,356,608	187,274
	3,589,310	2,389,014
Accumulated depreciation and amortization	<u>(1,807,013)</u>	<u>(1,605,566)</u>
Property and equipment, net	<u>\$ 1,782,297</u>	<u>783,448</u>

During the year ended December 31, 2020, the Partnership sold its portion of its condominium interest to a third party for \$12.5 million and \$10.7 million in April and December 2020, respectively. The Partnership recognized a gain on the sale of \$16,072,887 for the year ended December 31, 2020.

(7) Paycheck Protection Program Loan Payable

On May 6, 2020, the Partnership received loan proceeds in the amount of \$1,100,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after 24 weeks that begins on the first day of the organization's first pay period following its PPP loan disbursement date (the covered period) and ends no later than December 31, 2021, 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 unless unable to be operating at the same level of business activity as before February 15, 2020. The Partnership has determined to account for its PPP loan under a debt model.

The Partnership used the proceeds for qualifying payroll costs consistent with the PPP guidance. The Partnership believes that its use of the loan proceeds has met the conditions for forgiveness; however, no assurance can be provided that client will be eligible for forgiveness, in whole, or in part. Any amount of the PPP loan that is unforgiven is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

On August 9, 2021, the Partnership's first draw was forgiven by the Small Business Administration resulting in an extinguishment of debt being recognized in the amount of \$1,113,894 as of December 31, 2021.

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Notes to Financial Statements

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In February 2021, the Partnership was granted a loan (the "Loan") from Bank of America in the aggregate amount of \$875,000, pursuant to the Paycheck protection program Second Draw (the PPP 2) under Section 311 of the Economic Aid to Hard-Hit Small Businesses Act (the Economic Aid Act), which was signed into law on December 27, 2020 and is part of the original CARES Act, which was enacted March 27, 2020.

Section 311 of the Economic Aid Act authorized the U.S. Small Business Administration (SBA) to guarantee PPP 2 loans under generally the same terms and conditions available under the original PPP First Draw. The Loan is the form of a note dated February 10, 2021 issued by the Borrower and matures on February 10, 2026 and bears interest at a rate of 1% per annum. Funds from the Loan may only be used for qualified expenses which include payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, interest on other debt obligation incurred before February 15, 2020, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures. In accordance with the CARES Act and the PPP, if the loan proceeds are fully utilized to pay for qualified expenses, the full principal amount of the loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on termination of full-time employees or decrease in salaries during the covered period. The Partnership has determined to account for its PPP loan under the debt model.

Subsequent to year end, the Partnerships second draw on paycheck protection program was forgiven by the Small Business Administration on January 18, 2022.

(8) Retirement Plan

The Partnership has a noncontributory defined-contribution retirement plan covering substantially all employees. Contributions are based on the following formula: 8.0% of the first \$132,900 of annual salary and 13.7% of annual salary in excess of \$132,900 to a maximum of \$280,000. Total pension expense for the years ended December 31, 2021 and 2020 was \$654,527 and \$906,148, respectively.

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are available primarily for research, public policy, and family services at December 31, 2021 and 2020.

PARTNERSHIP TO END ADDICTION

Notes to Financial Statements

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(With summarized comparative financial information as of

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(10) Liquidity and Availability of Resources

The Partnership's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets available:		
Cash and cash equivalents	\$ 3,538,180	1,988,856
Grants and contributions receivable, net	2,138,923	1,990,409
Investments	<u>51,824,239</u>	<u>52,812,716</u>
	57,501,342	56,791,981
Less amounts not available in the next year:		
Designated for long term:		
The Joseph A. Califano Jr. Institute of Applied Policy	(14,385,772)	(12,843,704)
Net assets with donor restrictions not available within one year	(4,675,773)	(4,512,012)
Spending appropriation for following year	<u>500,000</u>	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>38,939,797</u></u>	<u><u>39,936,265</u></u>

The Partnership has \$39,939,797 available within one year of the balance sheet date of December 31, 2021. None of the financial assets above are subject to donor or other contractual restrictions that make them unavailable for expenditures. The grants and contributions receivable is subject to implied satisfaction of purpose restrictions but is expected to be collected within one year. The Partnership has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Partnership invests any excess cash in various short-term investments.

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Notes to Financial Statements

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The amounts available for general expenditures include the PCF funds because they are available for expenditure without board action. The Califano Institute is a board-designated fund that is subject to board approval for appropriation and only the applied spending rate is available for general expenditures for the next year. The board could, however, release the restriction, and such amounts could be available.

(11) Lease Commitments

In 2019, the Partnership entered into lease agreements to rent office space in New York. Total payments under the agreements are approximately \$30 million. Minimum lease payments are approximately \$1.9 million per year for the next five years starting eight months after the Commencement Date under the lease, which is August 2020. Under the terms of the lease agreement, the Partnership provided the landlord with a security deposit of approximately \$775,000 in November 2019. Subsequent to December 31, 2019, the Partnership amended the lease agreement with a new commencement date of March 1, 2021 through October 31, 2036.

On October 27, 2009, Partnership for Drug Free Kids (PDFK) had entered into a lease agreement to rent office space. In January 2019, Partnership for Drug Free America (PDFA) notified the landlord that the Partnership had been assigned the lease under the merger agreement. On April 10, 2019, the Partnership notified the landlord of its election to exercise the option to terminate the lease, effective October 15, 2020. The Partnership has resolved its dispute with the landlord pertaining to the early termination fee. As of December 31, 2021, \$365,119 has been accrued which is included in accounts payable and accrued expenses.

Under the terms of the original lease agreement, PDFA had provided the landlord with a security deposit in the form of an unconditional letter of credit. PDFA opened a certificate of deposit to secure the letter of credit. The certificate of deposit balance was \$197,976 as of December 31, 2021. It earns interest at the prevailing rate.

(12) Litigation

The Partnership is involved in litigation arising in the normal course of their operations. Management believes that the amount of losses that might be sustained beyond existing insurance coverage would not have a material effect on the accompanying financial statements.

(13) Subsequent Events

In connection with the preparation of the financial statements, the Partnership evaluated events after the balance sheet date of December 31, 2021 through August 11, 2022, which was the date the financial statements were available to be issued and determined that there were no additional matters that are required to be disclosed, other than as noted above.