PARTNERSHIP TO END ADDICTION

Financial Statements

December 31, 2022
(With summarized comparative financial information as of
and for the year ended December 31, 2021)

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

Board of Directors
Partnership to End Addiction:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Partnership to End Addiction (the Partnership), which comprise the balance sheet as of December 31, 2022, 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, 2022, and the changes in 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.

Emphasis of Matter

As discussed in Notes 2(l) and 11 to the financial statements, in 2022, the Partnership adopted Accounting Standard Codification Topic 842, *Leases* ("ASC 842"). Our opinion is not modified with respect to this matter.

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 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's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

New York, New York
August 7, 2023

PARTNERSHIP TO END ADDICTION

Balance Sheet

December 31, 2022
(With comparative financial information as of December 31, 2021)

Assets		2022	2021
Cash and cash equivalents	$	1,813,996	3,538,180
Grants and contributions receivable, net (note 4)		1,177,530	2,138,923
Prepaid expenses		1,284,799	1,170,146
Investments (note 3)		38,353,731	51,824,239
Other assets		—	475,476
Goodwill, net		639,750	746,375
Property and equipment, net (note 6)		1,571,166	1,782,297
Right-of-use asset (note 11)		21,713,560	—
Total assets	$	66,554,532	61,675,636
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	2,131,312	2,502,311
Paycheck protection loan payable (note 7)		—	875,000
Deferred rent		—	3,335,089
Deferred revenue		36,255	24,399
Lease liability (note 11)		25,350,611	—
Total liabilities		27,518,178	6,736,799
Net assets:			
Without donor restrictions:			
Available for operations		—	4,282,403
Amounts designated for (note 2):			
The Joseph A. Califano, Jr. Institute for Applied Policy		10,006,093	14,385,772
Program Concentration Fund		23,649,156	28,836,128
Total without donor restrictions		33,655,249	47,504,303
With donor restrictions (note 9)		5,381,105	7,434,534
Total net assets		39,036,354	54,938,837
Total liabilities and net assets	$	66,554,532	61,675,636

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Activities

Year ended December 31, 2022
(With summarized financial information for the year ended December 31, 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Revenues:				
Contributions of cash (note 4)	$ 3,338,156	4,434,681	7,772,837	12,689,872
Net investment return (loss)	(5,409,057)	(200,487)	(5,609,544)	5,869,032
Contributions of nonfinancial assets (note 5)	64,687,673	—	64,687,673	60,873,307
Miscellaneous revenue	27,251	—	27,251	27,606
Net assets released from donor restrictions	6,287,623	(6,287,623)	—	—
Total revenues	68,931,646	(2,053,429)	66,878,217	79,459,817
Expenses and losses:				
Program operations:				
Public policy	1,304,746	—	1,304,746	1,095,610
Health and treatment research	3,124,622	—	3,124,622	4,180,824
Research and program development	594,721	—	594,721	1,168,834
Communications and outreach	68,262,302	—	68,262,302	64,731,649
Family services	4,515,716	—	4,515,716	3,657,045
Total program operations	77,802,107	—	77,802,107	74,833,962
Supporting services:				
Administration	4,169,673	—	4,169,673	4,151,494
Fundraising	1,666,831	—	1,666,831	1,608,887
Total supporting services	5,836,504	—	5,836,504	5,760,381
Total expenses	83,638,611	—	83,638,611	80,594,343
Loss on uncollectible grants and contributions receivable	25,288	—	25,288	2,462
Total expenses and losses	83,663,899	—	83,663,899	80,596,805
Deficiency of operating revenues over operating expenses and losses	(14,732,253)	(2,053,429)	(16,785,682)	(1,136,988)
Nonoperating activities:				
Extinguishment of debt (note 7)	883,199	—	883,199	1,113,894
Decrease in net assets	(13,849,054)	(2,053,429)	(15,902,483)	(23,094)
Net assets at beginning of year	47,504,303	7,434,534	54,938,837	54,961,931
Net assets at end of year	$ 33,655,249	5,381,105	39,036,354	54,938,837

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Functional Expenses

Year ended December 31, 2022
(With summarized financial information for the year ended December 31, 2021)

	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 2022	Total expenses 2021
Salaries and wages	$ 664,468	1,441,942	327,028	1,330,594	2,371,284	6,135,316	1,703,711	545,058	2,248,769	8,384,085	8,203,008
Fringe benefits	290,560	514,481	155,491	628,014	1,030,541	2,619,087	910,683	258,591	1,169,274	3,788,361	2,876,921
Total salaries and wages and fringe benefits	955,028	1,956,423	482,519	1,958,608	3,401,825	8,754,403	2,614,394	803,649	3,418,043	12,172,446	11,079,929
Professional services	94,881	343,342	—	65,656,495	284,832	66,379,550	545,538	508,294	1,053,832	67,433,382	64,701,476
Pass-through grants and contracts	—	272,860	—	—	30,116	302,976	—	—	—	302,976	1,112,184
Office expenses and supplies	1,429	25,309	2,016	1,238	8,496	38,488	182,249	2,493	184,742	223,230	170,194
Occupancy and related costs	146,012	299,113	73,771	299,447	520,098	1,338,441	408,773	122,868	531,641	1,870,082	1,825,928
Equipment maintenance	106	45,241	167	166,912	10,960	223,386	150,055	142,984	293,039	516,425	446,314
Travel, meetings, and conferences	27,078	35,319	556	1,113	35,670	99,736	10,804	8,210	19,014	118,750	198,578
Dues, subscriptions, and publications	19,725	23,103	5,131	54,438	8,260	110,657	19,058	3,660	22,718	133,375	259,682
Insurance	14,011	28,703	7,079	28,735	49,909	128,437	39,226	11,790	51,016	179,453	156,727
Depreciation and amortization	46,476	95,209	23,482	95,316	165,550	426,033	130,114	39,110	169,224	595,257	599,238
Miscellaneous	—	—	—	—	—	—	69,462	23,773	93,235	93,235	44,093
Total expenses	$ 1,304,746	3,124,622	594,721	68,262,302	4,515,716	77,802,107	4,169,673	1,666,831	5,836,504	83,638,611	80,594,343

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Cash Flows

Year ended December 31, 2022
(With summarized financial information for the year ended December 31, 2021)

		2022	2021
Cash flows from operating activities:			
Decrease in net assets	$	(15,902,483)	(23,094)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation and amortization		595,257	599,238
Extinguishment of debt		(875,000)	(1,100,000)
Net depreciation (appreciation) in fair value of investments		6,329,842	(4,963,725)
Loss on uncollectible grants and contributions receivable		25,288	2,462
Amortization of right of use asset		1,378,711	—
Changes in operating assets and liabilities:			
Grants and contributions receivable		936,105	(74,529)
Prepaid expenses		(114,653)	29,973
Other assets		197,975	—
Accounts payable and accrued expenses		(370,999)	(21,244)
Deferred rent		—	1,543,400
Lease liability		(1,076,749)	—
Deferred revenue		11,856	(70,063)
Net cash used in operating activities		(8,864,850)	(4,077,582)
Cash flows from investing activities:			
Proceeds from sales of investments		140,843,071	104,082,488
Purchases of investments		(133,702,405)	(98,130,286)
Acquisitions of property and equipment		—	(1,200,296)
Net cash provided by investing activities		7,140,666	4,751,906
Cash flows from financing activity:			
Proceeds from paycheck protection loan		—	875,000
Net cash provided by financing activity		—	875,000
Net (decrease) increase in cash and cash equivalents		(1,724,184)	1,549,324
Cash and cash equivalents at beginning of year		3,538,180	1,988,856
Cash and cash equivalents at end of year	$	1,813,996	3,538,180
Supplemental disclosures of cash flow information:			
Contribution of nonfinancial assets	$	64,687,673	60,873,307

See accompanying notes to financial statements.

(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, 2022, and 2021, 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 in accordance with U.S. generally accepting accounting principles.

(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 (Califano Institute) 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 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.

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. $500,000 was budgeted for various unfunded policy work in 2022 and 2021.

Net assets with donor restrictions – 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.

(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. Goodwill, related to the acquisition of Partnership for Drug-free Kids by the National Center on Addiction and Substance Abuse, is being amortized over the estimated useful life of 8 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.

(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

(Continued)

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 $2,000,000.

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 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, 2021, from which the summarized information was derived.

(l) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. *2016-02, Leases* (Topic 842). Topic 842 requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the balance sheet. Topic 842 also requires expanded qualitative and quantitative disclosures. The Partnership adopted this ASU on a modified retrospective basis transition approach using the effective date method, which was January 1, 2022. The Partnership's right-of-use asset and lease liability for its operating lease at adoption was $23,092,271 and $26,427,360, respectively.

(Continued)

(m) Reclassifications

Certain prior year amounts were reclassified 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.

The following table presents the fair value hierarchy for investments, the only financial instruments measured at fair value, as of December 31, 2022 and 2021:

	2022		2021	
	Fair value	**Level 1**	**Fair value**	**Level 1**
Money market funds	$ 2,114,003	2,114,003	2,290,178	2,290,178
Fixed income mutual funds	5,425,619	5,425,619	2,771,449	2,771,449
Equity mutual funds:				
Domestic	17,916,762	17,916,762	21,392,250	21,392,250
International	6,414,977	6,414,977	12,424,270	12,424,270
Hedge funds	3,936,550	3,936,550	—	—
Commodities	1,058,409	1,058,409	—	—
U.S. Treasury securities	—	—	4,699,953	4,699,953
Money markets in transit	1,487,411	1,487,411	—	—
	38,353,731	38,353,731	43,578,100	43,578,100
Investments reported at net asset value:				
Absolute return fund	—		4,197,763	
Event-driven fund	—		4,048,376	
Total investments reported at net asset value	—		8,246,139	
Total investments	$ 38,353,731		51,824,239	

In addition to mutual funds, the Partnership held 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.

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. Funds invested in alternative investments have been fully liquidated as of December 31, 2022.

(4) Contributions of Cash and Other Financial Assets

Grants and contributions receivable were $1,177,530 and $2,138,923 for the years ended December 31, 2022 and 2021, respectively. Balances are expected to be collected within one year.

During 2022 and 2021, 42% and 48%, respectively of grants and contributions revenue were from six funding sources. At December 31, 2022 and 2021, 47% and 51%, respectively of grants and contributions receivable, net, were from three funding sources.

(5) Contributions of Nonfinancial Assets

For the years ending December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities include:

		2022	2021
Advertising	$	64,687,673	60,502,251
Legal services		—	371,056
Total contributions of non financial assets	$	64,687,673	60,873,307

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.

(6) Property and Equipment

Property and equipment, net at December 31, 2022 and 2021 consist of the following:

		2022	2021
Furniture & fixtures	$	2,232,702	2,232,702
Leasehold improvements		1,356,608	1,356,608
		3,589,310	3,589,310
Accumulated depreciation and amortization		(2,018,144)	(1,807,013)
Property and equipment, net	$	1,571,166	1,782,297

(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, 2022, 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.

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.

On January 18, 2022, the Partnership's second draw was forgiven by the Small Business Administration resulting in an extinguishment of debt being recognized in the amount of $883,199 as of December 31, 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, 2022 and 2021 was $626,911 and $654,527, 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, 2022 and 2021.

(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:

		2022	2021
Financial assets available:			
Cash and cash equivalents	$	1,813,996	3,538,180
Grants and contributions receivable, net		1,177,530	2,138,923
Investments		38,353,731	51,824,239
		41,345,257	57,501,342
Less amounts not available in the next year:			
Designated for long term:			
The Joseph A. Califano Jr. Institute of Applied Policy		(10,006,093)	(14,385,772)
Net assets with donor restrictions not available within one year		(3,800,253)	(4,675,773)
Spending appropriation for following year		500,000	500,000
Financial assets available to meet cash needs for general expenditures within one year	$	28,038,911	38,939,797

The Partnership has $28,038,911 available within one year of the balance sheet date of December 31, 2022. 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.

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) Leases

The Partnership determines if an arrangement is or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Partnership determines these assets are leased because the Partnership has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Partnership determines it does not have the right to control and direct the use of the identified asset. The Partnership's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases result in the recognition of right-of-use (ROU) asset and lease liability on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and are recognized in an amount equal to the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the risk-free discount rate at lease inception for operating leases of 1.6%. Operating lease expense is recognized on a straight-line basis over the lease term. The Partnership determines lease classification as operating or finance at the lease commencement date. Finance leases are not material to the financial statements.

The Partnership has elected not to record leases with an initial term of 12 months or less on the balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term.

The Partnership elected the package of practical expedients under the new standard, which permits entities to not reassess lease classifications, lease identifications or initial direct costs for existing or expired leases prior to the effective date. The Partnership did not elect the hindsight practical expedient. The Partnership also elected the practical expedient to utilize the risk-free rate for all operating leases. The Partnership elected the practical expedient to account for nonlease components and the lease components to which they relate as a single component for all operating leases.

Operating Leases

In 2019, the Partnership entered into a lease agreement 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. Total operating lease expense for the year ended December 31, 2022 was $1,791,697. As of December 31, 2022, right-of-use asset and lease liability were $21,713,560 and $25,350,611, respectively.

For the year ended December 31, 2021, rent expense under the previous lease standard was $1,637,416.

(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, 2022 through August 7, 2023, 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.