PARTNERSHIP TO END ADDICTION

Financial Statements

December 31, 2023
(With summarized comparative financial information as of
and for the year ended December 31, 2022)

(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:

Opinion

We have audited the financial statements of Partnership to End Addiction (the Partnership), which comprise the balance sheet as of December 31, 2023, 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, 2023, 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.

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's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2023. I our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements form which it has been derived.

KPMG LLP

New York, New York
July 30, 2024

PARTNERSHIP TO END ADDICTION

Balance Sheet

December 31, 2023
(With comparative financial information as of December 31, 2022)

Assets		2023	2022
Cash and cash equivalents	$	1,997,159	1,813,996
Grants and contributions receivable, net (note 4)		1,704,685	1,177,530
Prepaid expenses		1,292,933	1,284,799
Investments (note 3)		35,991,923	38,353,731
Goodwill, net		533,125	639,750
Property and equipment, net (note 6)		1,399,914	1,571,166
Right-of-use asset (note 10)		20,317,493	21,713,560
Total assets	$	63,237,232	66,554,532
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	1,307,471	2,131,312
Deferred revenue		50,000	36,255
Lease liability (note 10)		24,256,506	25,350,611
Total liabilities		25,613,977	27,518,178
Net assets:			
Without donor restrictions:			
Program and Policy Funds (note 2)		29,203,298	33,655,249
With donor restrictions (note 8)		8,419,957	5,381,105
Total net assets		37,623,255	39,036,354
Total liabilities and net assets	$	63,237,232	66,554,532

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Activities

Year ended December 31, 2023
(With summarized financial information for the year ended December 31, 2022)

	2023 Without donor restrictions	2023 With donor restrictions	2023 Total	2022 Total
Revenues:				
Contributions of cash (note 4)	$ 1,197,699	7,934,765	9,132,464	7,772,837
Net investment return (loss)	3,657,352	570,541	4,227,893	(5,609,544)
Contributions of nonfinancial assets (note 5)	26,177,102	—	26,177,102	64,687,673
Special events	1,112,913	—	1,112,913	—
Less direct benefit to donors	(452,349)	—	(452,349)	—
Net special events revenues	660,564	—	660,564	—
Miscellaneous revenue	328,216	—	328,216	27,251
Net assets released from donor restrictions	5,466,151	(5,466,151)	—	—
Total revenues	37,487,084	3,039,155	40,526,239	66,878,217
Expenses and losses:				
Program operations:				
Public policy	914,903	—	914,903	1,304,746
Health and treatment research	3,306,550	—	3,306,550	3,124,622
Research and program development	576,877	—	576,877	594,721
Communications and outreach	29,140,743	—	29,140,743	68,262,302
Family services	3,934,112	—	3,934,112	4,515,716
Total program operations	37,873,185	—	37,873,185	77,802,107
Supporting services:				
Administration	3,532,686	—	3,532,686	4,169,673
Fundraising	1,075,570	—	1,075,570	1,666,831
Total supporting services	4,608,256	—	4,608,256	5,836,504
Total expenses	42,481,441	—	42,481,441	83,638,611
Loss on uncollectible grants and contributions receivable	—	303	303	25,288
Total expenses and losses	42,481,441	303	42,481,744	83,663,899
(Deficiency in) excess of operating revenues over operating expenses and losses	(4,994,357)	3,038,852	(1,955,505)	(16,785,682)
Nonoperating activities:				
Other	542,406	—	542,406	—
Extinguishment of debt	—	—	—	883,199
(Decrease) increase in net assets	(4,451,951)	3,038,852	(1,413,099)	(15,902,483)
Net assets at beginning of year	33,655,249	5,381,105	39,036,354	54,938,837
Net assets at end of year	$ 29,203,298	8,419,957	37,623,255	39,036,354

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Functional Expenses

Year ended December 31, 2023
(With summarized financial information for the year ended December 31, 2022)

	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 2023	Total expenses 2022
Salaries and wages	$ 496,966	1,445,347	332,180	1,339,894	2,149,184	5,763,571	1,390,039	459,237	1,849,276	7,612,847	8,384,085
Fringe benefits	170,527	482,212	114,323	464,365	740,709	1,972,136	566,838	158,510	725,348	2,697,484	3,788,361
Total salaries and wages and fringe benefits	667,493	1,927,559	446,503	1,804,259	2,889,893	7,735,707	1,956,877	617,747	2,574,624	10,310,331	12,172,446
Professional services (note 5)	54,367	195,989	10,721	26,698,578	285,793	27,245,448	665,927	241,274	907,201	28,152,649	67,433,382
Pass-through grants and contracts	—	564,260	—	—	—	564,260	—	—	—	564,260	302,976
Office expenses and supplies (note 10)	898	38,639	694	2,045	4,621	46,897	108,371	15,907	124,278	171,175	223,230
Occupancy and related costs	121,401	350,577	85,061	336,924	525,603	1,419,566	355,315	112,354	467,669	1,887,235	1,870,082
Equipment maintenance	7,612	80,283	2,500	134,789	40,557	265,741	248,255	15,949	264,204	529,945	516,425
Travel, meetings, and conferences	18,016	45,352	6,031	9,398	36,735	115,532	17,896	8,301	26,197	141,729	118,750
Dues, subscriptions, and publications	14,321	14,964	4,768	71,512	17,587	123,152	10,020	13,637	23,657	146,809	133,375
Insurance	12,799	36,960	8,561	34,595	55,412	148,327	37,459	11,845	49,304	197,631	179,453
Depreciation and amortization	17,996	51,967	12,038	48,643	77,911	208,555	52,668	16,654	69,322	277,877	595,257
Miscellaneous	—	—	—	—	—	—	79,898	21,902	101,800	101,800	93,235
Total expenses	$ 914,903	3,306,550	576,877	29,140,743	3,934,112	37,873,185	3,532,686	1,075,570	4,608,256	42,481,441	83,638,611
Direct benefit to donors										452,349	—
										$ 42,933,790	83,638,611

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Cash Flows

Year ended December 31, 2023
(With summarized financial information for the year ended December 31, 2022)

		2023	2022
Cash flows from operating activities:			
Decrease in net assets	$	(1,413,099)	(15,902,483)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation and amortization		277,877	595,257
Extinguishment of debt		—	(875,000)
Net (appreciation) depreciation in fair value of investments		(3,636,036)	6,329,842
Loss on uncollectible grants and contributions receivable		303	25,288
Amortization of right of use asset		1,396,067	1,378,711
Changes in operating assets and liabilities:			
Grants and contributions receivable		(527,458)	936,105
Prepaid expenses		(8,134)	(114,653)
Other assets		—	197,975
Accounts payable and accrued expenses		(823,841)	(370,999)
Lease liability		(1,094,105)	(1,076,749)
Deferred revenue		13,745	11,856
Net cash used in operating activities		(5,814,681)	(8,864,850)
Cash flows from investing activities:			
Proceeds from sales of investments		39,523,701	140,843,071
Purchases of investments		(33,525,857)	(133,702,405)
Net cash provided by investing activities		5,997,844	7,140,666
Net increase (decrease) in cash and cash equivalents		183,163	(1,724,184)
Cash and cash equivalents at beginning of year		1,813,996	3,538,180
Cash and cash equivalents at end of year	$	1,997,159	1,813,996
Supplemental disclosures of cash flow information:			
Contribution of nonfinancial assets	$	26,177,102	64,687,673

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, 2023 and 2022 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.

Both funds have no donor restrictions to use as their purpose aligns with organization's mission activities, and may be used for operating purposes, when needed. In 2023 and 2022, $500,000 was budgeted for various unfunded policy work and $7,447,132 and $3,651,028, respectively, was used for operating purposes.

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.

(Continued)

(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. 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 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 $3,900,000 at December 31, 2023.

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. Significant 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, 2022, from which the summarized information was derived.

(l) New Accounting Pronouncements

In 2023, The Partnership adopted Financial Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses(Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*, as amended. The ASU required credit losses to be recognized on most financial assets carried at amortized cost and certain other instruments. The allowance is deducted from the amortized cost basis of a financial asset, so that the balance sheet reflects the net amount an entity expects to collect. Under CECL, credit losses are estimated over the entire contractual term of the instrument (adjusted for prepayment) from the date of initial recognition. The adoption did not have a material impact on the Partnership's financial statements at December 31, 2023.

(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, 2023 and 2022:

	2023		2022	
	Fair value	**Level 1**	**Fair value**	**Level 1**
Money market funds	$ 3,994,685	3,994,685	$ 2,114,003	2,114,003
Fixed income mutual funds	5,449,517	5,449,517	5,425,619	5,425,619
Equity mutual funds:				
Domestic	15,447,285	15,447,285	17,916,762	17,916,762
International	5,739,366	5,739,366	6,414,977	6,414,977
Hedge-strategy mutual funds	4,427,650	4,427,650	3,936,550	3,936,550
Commodities	933,420	933,420	1,058,409	1,058,409
Money markets in transit	—	—	1,487,411	1,487,411
Total investments	$ 35,991,923	35,991,923	$ 38,353,731	38,353,731

(4) Contributions of Cash and Other Financial Assets

Grants and contributions receivable were $1,704,685 and $1,177,530 for the years ended December 31, 2023 and 2022, respectively. Balances are expected to be collected within one year.

During 2023 and 2022, 64% and 42%, respectively of grants and contributions revenue were from six funding sources. At December 31, 2023 and 2022, 50% and 47%, respectively of grants and contributions receivable, net, were from three funding sources.

(5) Contributions of Nonfinancial Assets

For the years ending December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities include:

	2023	2022
Advertising	$ 26,101,234	64,687,673
Legal services	75,868	—
Total contributions of nonfinancial assets	$ 26,177,102	64,687,673

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, 2023 and 2022 consist of the following:

		2023	2022
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		(2,189,396)	(2,018,144)
Property and equipment, net	$	1,399,914	1,571,166

(7) 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 $160,200 of annual salary and 13.7% of annual salary in excess of $160,200 to a maximum of $330,000. Total pension expense for the years ended December 31, 2023 and 2022 was $602,045 and $626,911, respectively.

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions are available primarily for research, public policy, and family services at December 31, 2023 and 2022.

(Continued)

(9) 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:

		2023
Financial assets available:		
Cash and cash equivalents	$	1,997,159
Grants and contributions receivable, net		1,704,685
Investments		35,991,923
		39,693,767
Less amounts not available in the next year:		
Net assets with donor restrictions not available within one year		(3,740,001)
Financial assets available to meet cash needs for general expenditures within one year	$	35,953,766

The Partnership has $35,953,766 available within one year of the balance sheet date of December 31, 2023. 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 and Califano Institute funds which are considered board-designated funds. These funds are not donor restricted and are available for general expenditures as approved by the board.

(10) 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, 2023 and 2022 was $1,791,699 and $1,791, 697, respectively. As of December 31, 2023 and 2022, right-of-use asset and lease liability were $20,317,493 and $24,256,506, respectively.

(11) Subsequent Events

In connection with the preparation of the financial statements, the Partnership evaluated events after the balance sheet date of December 31, 2023 through July 30, 2024, 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.