KPMG

PARTNERSHIP TO END ADDICTION

Financial Statements

December 31, 2020
(With summarized comparative financial information as of
December 31, 2019)

(With Independent Auditors' Report Thereon)

KPMG

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

Independent Auditors' Report

To the Board of Directors
Partnership to End Addiction:

We have audited the accompanying financial statements of Partnership to End Addiction (formerly named The National Center on Addiction and Substance Abuse), which comprise the balance sheet as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partnership to End Addiction as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Partnership to End Addiction's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 4, 2021

PARTNERSHIP TO END ADDICTION

Balance Sheet

December 31, 2020
(With comparative financial information as of
December 31, 2019)

Assets		2020	2019
Cash and cash equivalents	$	1,988,856	1,718,723
Grants and contributions receivable, net (note 4)		1,990,409	2,222,923
Prepaid expenses		1,276,566	1,809,532
Investments (note 3)		52,812,716	36,992,623
Other assets		1,619,643	1,712,833
Property and equipment, net (note 5)		783,447	7,580,618
Total assets	$	60,471,637	52,037,252
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 10)	$	2,523,555	1,950,689
Paycheck protection loan payable		1,100,000	—
Deferred rent		1,791,689	—
Deferred revenue		94,462	707,348
Total liabilities		5,509,706	2,658,037
Net assets:			
Without donor restrictions:			
Available for operations		10,606,637	8,448,196
Amounts designated for (note 2):			
The Joseph A. Califano, Jr. Institute for Applied Policy		12,843,704	12,193,197
Program Concentration Fund		25,829,752	22,671,875
Total without donor restrictions		49,280,093	43,313,268
With donor restrictions (note 8)		5,681,838	6,065,947
Total net assets		54,961,931	49,379,215
Total liabilities and net assets	$	60,471,637	52,037,252

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Activities

Year ended December 31, 2020
(With summarized financial information for the
year ended December 31, 2019)

	2020			2019
	Without donor restrictions	**With donor restrictions**	**Total**	**Total**
Revenues:				
Grants and contributions	$ 2,454,932	5,426,733	7,881,665	9,121,736
Net investment return	3,975,095	—	3,975,095	5,005,914
Donated services	85,883,984	—	85,883,984	90,341,942
Special events	15,000	—	15,000	2,030,843
Less direct benefits to donors	—	—	—	(341,636)
Net special events revenues	15,000	—	15,000	1,689,207
Gain on sale of building (note 5)	16,072,887	—	16,072,887	—
Rental income (note 5)	—	—	—	196,435
Miscellaneous revenue	24,067	—	24,067	8,947
Net assets released from donor restrictions	5,758,081	(5,758,081)	—	—
Total revenues	114,184,046	(331,348)	113,852,698	106,364,181
Expenses and losses:				
Program operations:				
Public policy	828,023	—	828,023	1,110,528
Health and treatment research	4,584,506	—	4,584,506	4,339,819
Research and program development	1,375,192	—	1,375,192	1,647,881
Communications and outreach	90,225,560	—	90,225,560	94,447,412
Family services	2,878,080	—	2,878,080	2,349,492
Total program operations	99,891,361	—	99,891,361	103,895,132
Supporting services:				
Administration	7,000,075	—	7,000,075	3,655,439
Fundraising	1,311,956	—	1,311,956	944,053
Total supporting services	8,312,031	—	8,312,031	4,599,492
Total expenses	108,203,392	—	108,203,392	108,494,624
Loss on uncollectible grants and contributions receivable	13,829	52,761	66,590	3,965
Loss on write-off of fixed assets	—	—	—	151,913
Loss on lease termination (note 10)	—	—	—	668,742
Total expenses and losses	108,217,221	52,761	108,269,982	109,319,244
Excess (deficiency) of operating revenues over operating expenses and losses	5,966,825	(384,109)	5,582,716	(2,955,063)
Nonoperating activities:				
Inherent contribution (note 1)	—	—	—	10,594,811
Increase (decrease) in net assets	5,966,825	(384,109)	5,582,716	7,639,748
Net assets at beginning of year	43,313,268	6,065,947	49,379,215	41,739,467
Net assets at end of year	$ 49,280,093	5,681,838	54,961,931	49,379,215

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Functional Expenses

Year ended December 31, 2020
(With summarized financial information for the
year ended December 31, 2019)

	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 2020	Total expenses 2019
Salaries and wages	$ 462,626	1,986,563	752,468	1,661,882	1,427,990	6,291,529	2,175,922	536,118	2,712,040	9,003,569	8,014,936
Fringe benefits	145,433	611,351	282,282	524,734	452,583	2,016,383	522,942	165,409	688,351	2,704,734	2,524,047
Total salaries and wages and fringe benefits	608,059	2,597,914	1,034,750	2,186,616	1,880,573	8,307,912	2,698,864	701,527	3,400,391	11,708,303	10,538,983
Professional services	31,692	584,304	27,904	87,268,506	397,389	88,309,795	1,105,470	280,947	1,386,417	89,696,212	93,251,532
Communications/marketing/promotional	—	—	—	3,008	—	3,008	—	1,782	1,782	4,790	581,438
Pass-through grants and contracts	—	498,175	—	—	1,000	499,175	—	—	—	499,175	612,555
Office expenses and supplies	268	39,393	3,467	3,420	1,946	48,494	65,128	7,304	72,432	120,926	242,919
Postage and delivery	—	254	183	435	515	1,387	9,036	1,184	10,220	11,607	3,053
Telephone and facsimile	262	4,487	1,793	2,325	189	9,056	89,053	570	89,623	98,679	71,941
Occupancy and related costs	134,968	576,646	229,678	485,352	417,422	1,844,066	2,385,729	155,715	2,541,444	4,385,510	1,299,851
Equipment maintenance	1,800	42,207	—	34,390	8,535	86,932	112,723	86,608	199,331	286,263	269,270
Printing and duplicating	—	—	—	—	—	—	—	—	—	—	3,743
Travel, meetings, and conferences	9,504	49,576	3,944	7,314	34,966	105,304	15,390	5,263	20,653	125,957	337,904
Dues, subscriptions, and publications		14,435	2,928	85,120	7,335	109,818	24,115	16,630	40,745	150,563	147,251
Insurance	8,230	35,162	14,005	29,595	25,453	112,445	29,851	9,495	39,346	151,791	120,057
Interest/financing	—	—	—	—	—	—	7,233	—	7,233	7,233	4,839
Recruitment	—	—	—	—	—	—	5,132	—	5,132	5,132	14,912
Depreciation and amortization	33,225	141,953	56,540	119,479	102,757	453,954	120,514	38,332	158,846	612,800	728,268
Miscellaneous	15	—	—	—	—	15	331,837	6,599	338,436	338,451	266,108
Total expenses	$ 828,023	4,584,506	1,375,192	90,225,560	2,878,080	99,891,361	7,000,075	1,311,956	8,312,031	108,203,392	108,494,624
Direct benefits to donors										—	341,636
										$ 108,203,392	108,836,260

See accompanying notes to financial statements.

PARTNERSHIP TO END ADDICTION

Statement of Cash Flows

Year ended December 31, 2020
(With summarized financial information for the
year ended December 31, 2019)

		2020	2019
Cash flows from operating activities:			
Increase in net assets	$	5,582,716	7,639,748
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
Inherent contribution		—	(10,594,811)
Depreciation and amortization		612,800	728,268
Gain on sale of building		(16,072,887)	—
Loss on write-off of fixed assets		—	151,913
Loss on lease termination		—	668,742
Net appreciation in fair value of investments		(2,936,202)	(4,044,076)
Loss on uncollectible grants and contributions receivable		66,590	3,965
Changes in operating assets and liabilities:			
Grants and contributions receivable		165,924	1,148,573
Prepaid expenses		532,966	(1,443,588)
Other assets		(197,976)	—
Accounts payable and accrued expenses		460,023	(558,454)
Deferred rent		1,791,689	—
Deferred revenue		(612,886)	429,152
Net cash used in operating activities		(10,607,243)	(5,870,568)
Cash flows from investing activities:			
Proceeds from sales of investments		95,883,186	34,704,357
Purchases of investments		(108,767,077)	(34,708,650)
Cash and cash equivalents assumed in acquisition		—	6,877,353
Acquisitions of property and equipment		(579,733)	(83,129)
Proceeds from sale of building		23,241,000	—
Net cash provided by investing activities		9,777,376	6,789,931
Cash flows from financing activity:			
Proceeds from paycheck protection loan		1,100,000	—
Net cash provided by financing activity		1,100,000	—
Net increase in cash and cash equivalents		270,133	919,363
Cash and cash equivalents at beginning of year		1,718,723	799,360
Cash and cash equivalents at end of year	$	1,988,856	1,718,723
Supplemental disclosures of cash flow information:			
Donated services	$	85,883,984	90,341,942
Acquisition of assets and liabilities assumed in 2019:			
Grants and contributions receivable, net	$	—	587,285
Prepaid expenses		—	19,373
Investments		—	1,143,873
Other assets		—	1,951,425
Property and equipment, net		—	325,690
Assets acquired		—	4,027,646
Accounts payable and accrued expenses		—	(310,188)
Liabilities assumed		—	(310,188)
	$	—	3,717,458

See accompanying notes to financial statements.

(1) Organization and Tax-Exempt Status

The National Center of Addiction and Substance Abuse (CASA) and Partnership For a Drug-Free America (PDFA) entered into an Agreement and Plan of Merger (the Agreement) on December 21, 2018. The Agreement provided that PDFA would be merged into CASA with CASA as the surviving corporation effective January 1, 2019 (the Effective date). A certificate of merger was filed with the Secretary of State in New York. No consideration was exchanged. Following the Effective date, PDFA ceased to exist and CASA was the surviving corporation. CASA accounted for this business combination by applying the acquisition method, and accordingly, the inherent contribution received was valued as the excess of the fair value of the assets acquired over the fair value of the liabilities assumed. In December 2019, CASA changed its name to Partnership to End Addiction (the Partnership). The merger combines the two organizations' capacities in research, policy, media, direct-to-family resources and services, and communications expertise, allowing the Partnership to be the go-to organization for addressing every aspect of substance use and addiction, from prevention to recovery. The Partnership will help empower families to support loved ones, advance effective addiction care, and shape public policies to prevent and treat addiction as a public health issue. This strategic combination will help build momentum to change the way this country addresses addiction, extinguishing deep-rooted misperceptions and stigma.

Incorporated in April 1991, 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 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, 2020 and 2019, 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 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.

The net assets of the PCF are designated by the Partnership 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 temporary 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.

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 to 10 years. The condominium interest and improvements are depreciated on a straight-line basis over their estimated useful lives of 40 years. Intangible assets, which relate primarily to website design, are being amortized over their estimated lives of 3 to 4 years.

(g) Donated Services

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) Grants and Contributions

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.

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 and the right of return or release has been overcome. 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 alternative investments, net realizable value of grants and contributions receivable, and the fair value of

(Continued)

assets acquired over liabilities assumed as part of the acquisition. 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, 2019, from which the summarized information was derived.

(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, 2020 and 2019:

	2020		2019	
	Fair value	Level 1	Fair value	Level 1
Money market funds	$ 12,939,457	12,939,457	1,438,764	1,438,764
Fixed income mutual funds	783,068	783,068	5,490,903	5,490,903
Equity mutual funds:				
Domestic	11,794,912	11,794,912	15,732,117	15,732,117
International	11,006,990	11,006,990	5,660,983	5,660,983
U.S. Treasury securities	5,999,880	5,999,880	—	—
	42,524,307	42,524,307	28,322,767	28,322,767
Investment reported at net asset value:				
Absolute return fund	4,685,798		4,373,777	
Event-driven fund	5,598,260		4,198,535	
International value fund	4,351		97,544	
Total investments reported at net asset value	10,288,409		8,669,856	
Total investments	$ 52,812,716		36,992,623	

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.

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) Grants and Contributions

Grants and contributions receivable were $1,990,409 and $2,222,923 for the years ended December 31, 2020 and 2019, respectively. Balances are expected to be collected within one year.

During 2020 and 2019, 48% and 54%, respectively, of grants and contributions revenue were from six funding sources, respectively. At December 31, 2020 and 2019, 46% and 76% of grants and contributions receivable, net, were from three funding sources.

(5) Property and Equipment

Property and equipment, net at December 31, 2020 and 2019 consist of the following:

		2020	2019
Condominium interest and improvements	$	—	14,353,974
Furniture and equipment		2,389,013	2,438,459
		2,389,013	16,792,433
Accumulated depreciation and amortization		(1,605,566)	(9,211,815)
Property and equipment, net	$	783,447	7,580,618

The Partnership leased a portion of its condominium under an operating lease that expired in June 2019. Total lease income in 2019 was $196,435.

During the year, 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.

(6) 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, 2020, 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, 2021. 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.

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.

(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 $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, 2020 and 2019 was $906,148 and $568,186, 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, 2020 and 2019.

(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:

		2020	2019
Financial assets available:			
Cash and cash equivalents	$	1,988,856	1,718,723
Grants and contributions receivable, net		1,990,409	2,222,923
Investments		52,812,716	36,992,623
		56,791,981	40,934,269
Less amounts not available in the next year:			
Designated for long term:			
The Joseph A. Califano Jr. Institute of Applied Policy		(12,843,704)	(12,193,197)
Net assets with donor restrictions not available within 1 year		(4,512,012)	—
Spending appropriation for following year		500,000	72,113
Financial asset available to meet cash needs for general expenditure within one year	$	39,936,265	28,813,185

(Continued)

The Partnership has $39,936,265 available within one year of the balance sheet date. 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.

(10) Lease Commitments

In 2020, the Partnership entered into lease agreements to rent office space in New York for a combined lease term of January 2020 through July 2036. 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 $931,000 in November 2019. Subsequent to year-end, the Partnership amended the lease agreement with a new commencement date of March 1, 2021 through October 31, 2036.

On October 27, 2009, PDFK had entered into a lease agreement to rent office space. In January 2019, 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 is currently in dispute with the landlord pertaining to the early termination fee. As of December 31, 2020, an estimate of approximately $259,000 has been accrued.

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, 2020. It earns interest at the prevailing rate.

(11) 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.

(12) Risk and Uncertainty

COVID-19 impact – The Partnership's continuing operations have been affected by the recent and ongoing outbreak of the coronavirus (COVID-19), which was declared a pandemic by the Word Health Organization in March 2020. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and business. The coronavirus and the actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economics and financial markets of many countries, including the geographical location in which the Partnership operates.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Partnership, to date, the Partnership is experiencing a decrease in revenue due to certain programs closing and an increase in expenses to keep staff and clients safe. A large percentage of the Partnership's workforce is working remotely. The Partnership continues to monitor the impact the COVID-19 outbreak may have on the Partnership in the future.

(13) Subsequent Events

In connection with the preparation of the financial statements, the Partnership evaluated events after the balance sheet date of December 31, 2020 through October 4, 2021, 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.