

National Harm Reduction Coalition

Financial Statements

December 31, 2024 and 2023

Independent Auditors' Report

**Board of Directors
National Harm Reduction Coalition**

Opinion

We have audited the accompanying financial statements of the National Harm Reduction Coalition ("NHRC") which comprise the statements of financial position as of December 31, 2024 and 2023 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NHRC as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 NHRC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NHRC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
National Harm Reduction Coalition
Page 2

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the 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 NHRC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant 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 NHRC'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.

___, 2025

National Harm Reduction Coalition

Statements of Financial Position

	December 31	
	2024	2023
ASSETS		
Cash	\$ 1,603,736	\$ 1,028,348
Contributions and grants receivable, net	3,315,798	2,306,892
Accounts receivable	620,065	637,162
Loan receivable	150,000	100,000
Prepaid expenses and other assets	68,311	53,024
Security deposit	86,770	85,395
Right-of-use-asset - operating lease	317,434	525,325
Right-of-use-asset - financing lease	68,666	36,151
Property and equipment, net	38,865	51,267
Intangibles, net	<u>9,623</u>	<u>28,870</u>
Total Assets	<u>\$ 6,279,268</u>	<u>\$ 4,852,434</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 388,581	\$ 496,528
Accrued payroll and vacation	298,889	285,315
Refundable advance	-	62,500
Grants payable	-	293,491
Operating lease payable	335,740	545,727
Finance lease payable	<u>70,059</u>	<u>8,325</u>
Total Liabilities	<u>1,093,269</u>	<u>1,691,886</u>
Net Assets		
Without donor restrictions	3,218,598	2,517,642
With donor restrictions	<u>1,967,401</u>	<u>642,906</u>
Total Net Assets	<u>5,185,999</u>	<u>3,160,548</u>
 Total Liabilities and Net Assets	<u>\$ 6,279,268</u>	<u>\$ 4,852,434</u>

See notes to financial statements

National Harm Reduction Coalition

Statements of Activities

	Year Ended December 31					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and nongovernmental grants	\$ 742,028	\$ 2,157,430	\$ 2,899,458	\$ 627,348	\$ 237,500	\$ 864,848
Donated services	16,000	-	16,000	28,500	-	28,500
Government grants	4,929,860	-	4,929,860	8,464,461	-	8,464,461
Government grants - Employee Retention Credit	-	-	-	513,022	-	513,022
Training and conferences	334,174	-	334,174	727,625	-	727,625
Fiscal sponsorship	110,554	-	110,554	107,257	-	107,257
Back-office support	126,441	-	126,441	102,318	-	102,318
Other income	208,492	-	208,492	49,411	-	49,411
Net assets released from restrictions	832,935	(832,935)	-	2,344,138	(2,344,138)	-
Total Support and Revenue	7,300,484	1,324,495	8,624,979	12,964,080	(2,106,638)	10,857,442
EXPENSES						
Program Services						
Training and capacity building	3,940,136	-	3,940,136	8,331,223	-	8,331,223
Policy and advocacy	489,414	-	489,414	567,848	-	567,848
Conferences	19,348	-	19,348	254,223	-	254,223
Fiscal sponsorship	1,229,155	-	1,229,155	752,203	-	752,203
Total Program Services	5,678,053	-	5,678,053	9,905,497	-	9,905,497
Supporting Services						
Management and general	753,860	-	753,860	866,881	-	866,881
Fundraising	167,615	-	167,615	255,191	-	255,191
Total Supporting Services	921,475	-	921,475	1,122,072	-	1,122,072
Total Expenses	6,599,528	-	6,599,528	11,027,569	-	11,027,569
Change in Net Assets	700,956	1,324,495	2,025,451	1,936,511	(2,106,638)	(170,127)
NET ASSETS						
Beginning of year	2,517,642	642,906	3,160,548	581,131	2,749,544	3,330,675
End of year	\$ 3,218,598	\$ 1,967,401	\$ 5,185,999	\$ 2,517,642	\$ 642,906	\$ 3,160,548

See notes to financial statements

National Harm Reduction Coalition

Statement of Functional Expenses Year Ended December 31, 2024

	Program Services					Supporting Services			
	Training and Capacity Building	Policy and Advocacy	Conferences	Fiscal Sponsorship	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 1,627,186	\$ 257,089	\$ 10,566	\$ 604,080	\$ 2,498,921	\$ 410,407	\$ 115,640	\$ 526,047	\$ 3,024,968
Payroll taxes and employee benefits	553,357	91,771	2,733	127,243	775,104	95,414	22,772	118,186	893,290
Total Salaries and Related Expenses	2,180,543	348,860	13,299	731,323	3,274,025	505,821	138,412	644,233	3,918,258
Grant making	49,000	-	-	-	49,000	-	-	-	49,000
Consultants	901,069	24,510	283	194,608	1,120,470	16,587	2,360	18,947	1,139,417
Conference and events	40,605	6,340	2,367	5,212	54,524	181	-	181	54,705
Travel	57,515	2,200	212	15,759	75,686	2,135	300	2,435	78,121
Occupancy	291,667	48,371	1,440	53,450	394,928	50,292	12,003	62,295	457,223
Telecomm and information technology	174,485	28,937	862	13,307	217,591	30,086	7,180	37,266	254,857
Supplies	10,843	1,798	54	27,784	40,479	1,870	446	2,316	42,795
Communications and design	31,833	40	-	2,783	34,656	811	-	811	35,467
Recruitment and training	1,632	494	-	13,963	16,089	4,074	-	4,074	20,163
Fiscal sponsorship	-	-	-	105,669	105,669	-	-	-	105,669
Insurance	49,715	8,245	246	17,770	75,976	8,572	2,046	10,618	86,594
Stipends and incentives	32,587	-	-	-	32,587	-	-	-	32,587
Service fees	44,104	7,314	218	3,907	55,543	7,604	1,815	9,419	64,962
Professional fees (including in-kind of \$16,000)	43,285	7,178	214	25,579	76,256	78,955	1,781	80,736	156,992
Equipment and vehicle	30,914	5,127	153	4,843	41,037	5,330	1,272	6,602	47,639
Miscellaneous	339	-	-	476	815	19,046	-	19,046	19,861
Interest on finance lease	-	-	-	320	320	3,249	-	3,249	3,569
Depreciation and amortization	-	-	-	12,402	12,402	19,247	-	19,247	31,649
Total Expenses	\$ 3,940,136	\$ 489,414	\$ 19,348	\$ 1,229,155	\$ 5,678,053	\$ 753,860	\$ 167,615	\$ 921,475	\$ 6,599,528

See notes to financial statements

National Harm Reduction Coalition

Statement of Functional Expenses Year Ended December 31, 2023

	Program Services					Supporting Services			Total Expenses
	Training and Capacity Building	Policy and Advocacy	Conferences	Fiscal Sponsorship	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,711,098	\$ 300,515	\$ 105,551	\$ 371,282	\$ 2,488,446	\$ 458,504	\$ 168,364	\$ 626,868	\$ 3,115,314
Payroll taxes and employee benefits	632,185	94,212	61,142	76,593	864,132	122,669	39,223	161,892	1,026,024
Total Salaries and Related Expenses	2,343,283	394,727	166,693	447,875	3,352,578	581,173	207,587	788,760	4,141,338
Grant making	3,659,975	-	-	-	3,659,975	-	-	-	3,659,975
Consultants	1,226,146	75,901	16,661	135,955	1,454,663	63,785	7,605	71,390	1,526,053
Conference and events	112,074	230	-	3,439	115,743	2,735	423	3,158	118,901
Travel	64,472	7,076	689	23,953	96,190	20,887	-	20,887	117,077
Occupancy	298,729	38,004	24,664	6,576	367,973	49,483	15,822	65,305	433,278
Telecomm and information technology	186,443	26,772	17,374	6,607	237,196	34,858	11,146	46,004	283,200
Supplies	185,217	2,296	13,752	36,585	237,850	2,990	956	3,946	241,796
Communications and design	16,717	1,321	183	2,660	20,881	4,337	-	4,337	25,218
Recruitment and training	6,403	126	-	666	7,195	2,725	-	2,725	9,920
Fiscal sponsorship	31,008	-	-	67,451	98,459	715	-	715	99,174
Insurance	40,481	5,528	3,588	2,356	51,953	7,197	2,301	9,498	61,451
Stipends and incentives	65,146	-	-	4,840	69,986	-	-	-	69,986
Service fees	24,841	968	982	1,553	28,344	3,588	3,040	6,628	34,972
Professional fees (including in-kind of \$28,500)	60,197	14,849	9,637	2,825	87,508	33,773	6,182	39,955	127,463
Equipment and vehicle	-	-	-	4,915	4,915	813	-	813	5,728
Miscellaneous	317	50	-	3,141	3,508	8,541	129	8,670	12,178
Interest on finance lease	-	-	-	321	321	3,248	-	3,248	3,569
Depreciation and amortization	9,774	-	-	485	10,259	46,033	-	46,033	56,292
Total Expenses	\$ 8,331,223	\$ 567,848	\$ 254,223	\$ 752,203	\$ 9,905,497	\$ 866,881	\$ 255,191	\$ 1,122,072	\$ 11,027,569

See notes to financial statements

National Harm Reduction Coalition

Statements of Cash Flows

	Year Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,025,451	\$ (170,127)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	31,649	30,471
Loss on disposal of property and equipment	27,827	-
Amortization of right-of-use-assets operating	207,891	205,087
Amortization of right-of-use-assets financing	39,754	25,821
Discount on contributions and grant receivable	21,828	(2,637)
Changes in operating assets and liabilities		
Contributions and grant receivable	(1,030,734)	1,390,793
Loan receivable	(50,000)	-
Accounts receivable	17,097	(452,041)
Prepaid expenses and other assets	(15,287)	(31,272)
Security deposit	(1,375)	(8,874)
Accounts payable and accrued expenses	(107,947)	(248,274)
Accrued payroll and vacation	13,574	8,546
Refundable advance	(62,500)	62,500
Operating lease payable	(209,987)	(198,879)
Grant payable	(293,491)	(1,144,620)
Net Cash from Operating Activities	613,750	(533,506)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(47,460)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on finance lease	(38,362)	(39,475)
Net Change in Cash and Cash Equivalents	575,388	(620,441)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,028,348	1,648,789
End of year	\$ 1,603,736	\$ 1,028,348
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Financing right-of-use assets obtained in exchange for an financing lease liability	\$ 104,608	\$ -
Cash paid for interest	3,569	2,727

See notes to financial statements

National Harm Reduction Coalition

Notes to Financial Statements
December 31, 2024 and 2023

1. Organization and Tax Status

National Harm Reduction Coalition (“NHRC”) is a nonprofit organization committed to local, regional, national and international harm reduction education through intervention, community organizing, training, resources and conferences, with offices in Oakland, California and New York City. NHRC’s objective is to reduce substance abuse-related harm through the exchange, creation and dissemination of harm reduction education and strategies.

NHRC is exempt from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

Components of Program and Supporting Services

Program Services

Training and Capacity Building

The institute at NHRC is a national training and capacity- building initiative that promotes the health and dignity of individuals and communities impacted by drug use by providing skills-building activities to service providers and other community stakeholders. The institute accomplishes this by offering technical assistance, training, informational workshops, social marketing, and mentoring on topics related to harm reduction, including substance use, opiate overdose HIV/Aids, and Hepatitis C.

Policy and Advocacy

NHRC’s policy department advocates for policies to improve the health of people in communities impacted by substance use. Our advocacy seeks to create change on the local, state, national and international public health forums through a range of strategies that include direct advocacy with policy makers, policy analysis,, education and coalition building.

Conferences

NHRC sponsors and organizes regional conferences and, bi-annually, the only National Harm Reduction Conference in the United States. NHRC conferences provide a critical and unique forum for the exploration and development of harm reduction practice, theory and policy, and serve as crucial networking mechanisms for individuals working in harm reduction.

Fiscal Sponsor

NHRC provides fiscal sponsorship to community-based initiatives that advance its mission of harm reduction and public health.

National Harm Reduction Coalition

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires NHRC's management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, NHRC considers highly liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Contributions and Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate of return applicable to the year in which the promise was made. Amortization of the discount is included in contributions and grants revenue. The discount will be recognized as contribution and grants revenue in future fiscal years as the discount is amortized over the duration of the contributions.

On a periodic basis, management evaluates its receivables and establishes an allowance for doubtful accounts, based on history of past write-offs, collections and current credit conditions. Receivables are written off when management determines that a sufficient period of time has passed without receiving payment and the donors do not exhibit ability to meet their obligations. As of December 31, 2024 and 2023, no allowance for doubtful accounts was deemed necessary by management.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The amount of accounts receivable and corresponding allowance for credit losses are presented on the statements of financial position. NHRC maintains allowances for credit losses resulting from the expected failure or inability of its customers to make required payments. NHRC recognizes the allowance for credit losses at inception and reassesses at every reporting date based on the asset's expected collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. NHRC's allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics.

National Harm Reduction Coalition

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Credit Losses (continued)

NHRC records a provision for expected credit losses using a historical loss-rate method based on the ratio of its historical write-offs to its average trade accounts receivable. At each reporting period, NHRC assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, NHRC may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables. Generally, NHRC does not require collateral to support its accounts receivable. Management has determined no allowance was necessary at December 31, 2024 and 2023.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or at fair value at the date of donation. NHRC capitalizes expenditures for property and equipment in excess of \$5,000 with useful lives greater than one year. Depreciation is based on the straight-line method over the estimated useful lives of the assets. The cost of repairs and maintenance costs are expensed as incurred while major renewals and betterments are capitalized. When assets are disposed of, the assets and related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operations. Estimated useful lives are as follows:

Vehicles	5 years
Leasehold improvements	20 years (over the life of the lease)

Intangible Assets

Intangible assets are stated at cost and consist of website design costs, which are amortized over their estimated useful lives for a period of 5 years using the straight-line method. Items with a cost in excess of \$5,000 with a useful life greater than one year are capitalized when technical feasibility is met. At December 31, 2024 and 2023, management has determined that these assets are not impaired.

Long-lived Assets

NHRC evaluates all long-lived assets such as property and equipment and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. NHRC records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized for the years ended December 31, 2024 and 2023.

National Harm Reduction Coalition

Notes to Financial Statements
December 31, 2024 and 2023

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

Net Asset Presentation

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

NHRC recognizes revenue following applicable guidance, which is determined by the existence or absence of a reciprocal exchange transaction.

Revenue Accounted for in Accordance with Contribution Accounting (Topic 605)

Contributions and Nongovernmental Grants

NHRC recognizes contributions and nongovernmental grants when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as milestones are achieved.

Refundable advances consist of advances for the following years. As of December 31, 2024 and 2023, there have been no contributions received in advance. NHRC had approximately \$2,400,550 and \$6,069,700 in conditional promises to give that are not recognized on the statements of activities and changes in net assets, as the conditions have not been met, as of December 31, 2024 and 2023.

Government Grants

NHRC receives cost-reimbursable government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when NHRC incurs expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. As of December 31, 2024 and 2023, \$0 and \$62,500 was received in advance.

National Harm Reduction Coalition

Notes to Financial Statements
December 31, 2024 and 2023

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

Revenue Accounted for in Accordance with Contribution Accounting (Topic 605) (continued)

Fiscal Sponsorships

NHRC serves as a fiscal sponsor for various projects. In this capacity, NHRC receives funds on behalf of these projects and submits proceeds to these projects. As a fiscal sponsor, NHRC is responsible for ensuring funds are properly spent to achieve the projects' goals, which align with and further NHRC's mission.

In-Kind Contributions

In-kind contributions are comprised of professional services, which are reflected in the accompanying financial statements as in-kind contributions revenue and professional fees expense within management and general in the statements of functional expenses. For the years ended December 31, 2024 and 2023, donated services are valued based on the hourly rate and expenses incurred by the independent contractors, totaled \$16,000 and \$28,500.

The amount of revenue recognized reflects the consideration NHRC expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, NHRC combines it with other performance obligations until a distinct bundle of goods or services exists. Assumptions about the likelihood and amount of variable consideration and significant reversals, if any, are based on history and included when applicable. NHRC's management expects that the period between when NHRC transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, NHRC has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. Any contract fees received in advance of satisfying the performance obligations are recorded as a contract liability until the service is performed.

Revenue Accounted for as Contracts with Customers (Topic 606)

Training and Conferences

NHRC recognizes revenues from training and conferences at a point in time when the conferences and/or training sessions are completed.

Resources and Publications

NHRC recognizes revenue at a point in time when materials are shipped to the customer.

National Harm Reduction Coalition

Notes to Financial Statements
December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Revenue Accounted for as Contracts with Customers (Topic 606)

Back Office Support

NHRC provides back-office support to another organization and recognizes revenue over time as performance obligations are met. As a practical expedient allowed under the revenue accounting standards, NHRC records revenue for these contracts in the amount to which they have a right to invoice for the services performed provided that they have a right to consideration from the customer in an amount that corresponds directly with the value of the performance completed to date.

The beginning and ending contract balances were as follows:

	2024	2023	2022
Contract assets	\$ 770,065	\$ 737,162	\$ 285,121
Contract liabilities	-	62,500	-

Grant Expenses

Contributions made and unconditional promises to give are recognized as expenses in the period made at their fair value, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expenses and as a grant payable in the period in which the grantee substantially meets the terms of the conditions. Grants that are expected to be paid within one year are recorded at net realizable value. Grants that are expected to be paid in future years are recorded at the present value of their estimated cash flows. The discounts on those grants are computed using risk-free interest rates applicable to the years in which the grants are made. Amortization of the discounts is included in grantmaking on the statements of functional expenses.

Leases

NHRC accounts for leases under Topic 842. NHRC determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and lease liabilities on the accompanying statements of financial position. NHRC made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, NHRC uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

National Harm Reduction Coalition

Notes to Financial Statements
December 31, 2024 and 2023

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

Leases (continued)

The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that NHRC will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term. NHRC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NHRC leases a copy machine and determines if an arrangement is a lease at inception. Finance leases are included in right-of-use assets - finance lease ("ROU asset") and lease liability on the accompanying statement of financial position.

NHRC has lease agreements with lease and non-lease components, which are generally accounted for separately. NHRC's lease agreements do not contain any variable lease components. NHRC applies the short-term lease exemption to all of its classes of underlying assets.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of estimated time and effort. Other expenses are allocated on the basis of direct costs.

Accounting for Uncertainty in Income Taxes

NHRC recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that NHRC had no uncertain tax positions that would require financial statement recognition or disclosure. NHRC is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2022.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, the date of which is __, 2025.

National Harm Reduction Coalition

Notes to Financial Statements

December 31, 2024 and 2023

3. Concentration of Credit Risk

NHRC's financial instruments that are potentially exposed to concentrations of credit risk consist of cash on deposit with financial institutions and contributions and grants receivable. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. At times cash balances may exceed the FDIC limit.

As of and for the year ended December 31, 2024 approximately 46% of NHRC's total support and revenue was from six grantors, and approximately 32% of contributions and grants receivable were from one grantor.

As of and for the year ended December 31, 2023 approximately 56% of NHRC's total support and revenue was from one grantor, and approximately 65% of contributions and grants receivable were from two grantors.

4. Liquidity and Availability of Financial Assets

The following reflects NHRC's financial assets as of December 31, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations.

	2024	2023
Financial Assets:		
Cash	\$ 1,603,736	\$ 1,028,348
Contributions and grants receivable, net	3,315,798	2,306,892
Account receivable	<u>620,065</u>	<u>637,162</u>
Total Available Financial Assets at Year-End	5,539,599	3,972,402
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	<u>(1,967,401)</u>	<u>(642,906)</u>
 Total Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	 <u>\$ 3,572,198</u>	 <u>\$ 3,329,496</u>

Management regularly monitors the availability of resources required to meet its operating needs. As part of management's liquidity plan, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenses over a 12-month period, management considers all expenses related to its ongoing activities.

In addition to financial assets available to meet general expenses over the next 12 months, NHRC operates with a balanced budget and anticipates collecting sufficient support to cover general expenses. Refer to the statements of cash flows, which identify the sources and uses of NHRC's cash.

National Harm Reduction Coalition

Notes to Financial Statements December 31, 2024 and 2023

5. Contributions and Grants Receivable

Unconditional promises to give are included in the financial statements as contributions and grants receivable. Contributions and grants receivables at December 31, are the following:

	2024	2023
One year or less	\$ 2,268,896	\$ 2,306,892
Two to five years	<u>1,068,730</u>	<u>-</u>
	3,337,626	2,306,892
Discount to present value	<u>(21,828)</u>	<u>-</u>
	<u>\$ 3,315,798</u>	<u>\$ 2,306,892</u>

Payments expected to be received in more than one year have been discounted to their present value using an interest rate of 4.17% for the year ended December 31, 2024. Management believes that outstanding contributions will be fully collected and therefore has not provided any allowance for uncollectible amounts.

6. Loan Receivable

During 2018, NHRC loaned Community Action for Social Justice (CSJ) \$100,000 as part of a resource sharing agreement. This loan is non-interest bearing and is due within 60 days' written notice of when NHRC's agreement is terminated with CSJ. As a result, this loan is considered long-term.

During the year ended December 31, 2024, an additional working capital loan of \$50,000 was issued under the same terms of the original loan. As a result, this loan is considered short-term.

7. Property and Equipment

Property and equipment as of December 31, are summarized as follows:

	2024	2023
Leasehold improvements	\$ 19,300	\$ 19,300
Vehicle	<u>62,011</u>	<u>62,011</u>
	81,311	81,311
Accumulated depreciation	<u>(42,446)</u>	<u>(30,044)</u>
	<u>\$ 38,865</u>	<u>\$ 51,267</u>

For the years ended December 31, 2024 and 2023, depreciation expense was \$12,402 and \$11,224.

National Harm Reduction Coalition

Notes to Financial Statements December 31, 2024 and 2023

8. Intangibles

Intangibles assets at December 31, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Website	\$ 96,235	\$ 96,235
Less: Accumulated amortization	<u>(86,612)</u>	<u>(67,365)</u>
	<u>\$ 9,623</u>	<u>\$ 28,870</u>

For each of the years ended December 31, 2024 and 2023, amortization expense was \$19,247.

9. Grants Payable

At December 31, 2024 and 2023, NHRC's grants payable consisted of unconditional promises to give in the amount of \$0 and \$293,491. These grants were paid in the following year.

10. Net Assets with Donor Restrictions

NHRC had net asset with donor restrictions of \$1,967,401 and \$642,906 as of December 31, 2024 and 2023, which were restricted subject to the passage of time.

NHRC had net asset with donor restriction releases of \$832,935 and \$2,344,138 for the years ended December 31, 2024 and 2023 due to satisfaction of time restrictions.

11. Employee Retention Credit

During 2023, NHRC recorded income related to the Employee Retention Credit ("ERC") which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. In accordance with U.S. GAAP guidance NHRC has determined that U.S. GAAP does not specify accounting treatment for government assistance to a not-for-profit entity. Accordingly, NHRC has elected to follow the guidance in ASC 958-605 in which conditional government grants are recognized in income as conditions are met. NHRC has recognized \$513,022 for the year ended December 31, 2023. The ERC remains subject to audit by government agencies until 2025.

National Harm Reduction Coalition

Notes to Financial Statements

December 31, 2024 and 2023

12. Retirement Plan

A defined contribution 403(b) plan was implemented by NHRC in March 2020 covering substantially all employees who fulfill the minimum service requirement of 30 days. NHRC makes additional contributions in the amount of \$38.46 per pay period for each person who is an active participant on the last day of that period. In addition, NHRC may make a discretionary matching contribution per pay period, not to exceed \$3,820 per person in any given plan year. Retirement expense for 2024 and 2023, amounted to \$984 and \$4,040, and is included with payroll taxes and benefits on the statements of functional expenses.

13. Commitments and Contingencies

Government Grants

NHRC receives government grants for its programs. These grants may be subject to financial and compliance audits by the funding agencies. The amount of expenditures, if any, that may be disallowed by the funding agencies cannot be determined at this time. Hence, no provision for such disallowance has been reflected in the financial statements.

Leases

NHRC has a cancelable lease for its office in New York, which was renewed through June 2026. NHRC had a cancelable lease for office space in California, which was renewed through February 2025. NHRC has also entered into various agreements for working space. The lease agreements are generally month to month or are short term.

During 2024, NHRC entered into a finance lease for equipment which provide for minimum annual rentals through June 2026. Rent expense for equipment for the year ended December 31, 2024 and 2023 was \$44,526 and \$4,971.

Future minimum annual rental payments under the leases are as follows:

	<u>Operating</u>	<u>Finance</u>
2025	\$ 224,556	\$ 45,741
2026	<u>114,480</u>	<u>26,682</u>
Total future mininum lease payment	339,036	72,423
Less imputed interest	<u>(3,296)</u>	<u>(2,364)</u>
Total operating lease payable	<u>\$ 335,740</u>	<u>\$ 70,059</u>

National Harm Reduction Coalition

Notes to Financial Statements December 31, 2024 and 2023

13. Commitments and Contingencies *(continued)*

Leases (continued)

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term:		
Operating lease	1.5 years	2.5 years
Finance lease	1.6 years	4 months
Weighted average discount rate		
Operating lease	1.37%	1.37%
Finance lease	4.46%	7.50%
Finance lease cost		<u>2024</u>
Amortization of Right-of-use-asset - financing lease		\$ 39,754
Interest on lease liabilities		<u>3,569</u>
Total finance lease cost		<u>\$ 43,323</u>
Supplemental cash flows		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from financing leases		\$ 3,310
Finance cash flows from financing leases		34,808

ROU assets under lease agreements at December 31, consists of the following:

	<u>2024</u>	
	<u>Operating</u>	<u>Finance</u>
Right of use asset	\$ 525,325	\$ 108,420
Less: accumulated amortization	<u>(207,891)</u>	<u>(39,754)</u>
	<u>\$ 317,434</u>	<u>\$ 68,666</u>
	<u>2023</u>	
	<u>Operating</u>	<u>Finance</u>
Right of use asset	\$ 730,412	\$ 112,877
Less: accumulated amortization	<u>(205,087)</u>	<u>(76,726)</u>
	<u>\$ 525,325</u>	<u>\$ 36,151</u>

Operating expense recognized under Topic 842 amounted to \$218,012 and \$207,612 and short-term lease expense \$172,192 and \$144,863 for the years ended December 31, 2024 and 2023.

In addition, NHRC also subleases the New York space to a tenant under a cancelable lease expiring June 2022. Total sublease income included with other income on the statements of activities totaled \$117,959 and \$47,191 for the years ended December 31, 2024 and 2023.