



November 20, 2024

VIA ELECTRONIC MAIL

Zoe Heller
Director
California Department of Resources Recycling and Recovery
1001 I Street
Sacramento, CA 95814

Re: Independent Financial Audit – Confidentiality Justification
Drug Takeback Solutions Foundation

Dear Ms. Heller:

Attached is the Drug Takeback Solutions Foundation’s (“The Foundation”) revised Independent Financial Audit (2023). The Independent Financial Audit Report (“Audit Report”) contains The Foundation’s confidential and proprietary information. All financial information, and the auditor’s assessments based on that financial information, contained therein must be withheld from public disclosure under the California Public Records Act. Cal. Pub. Res. Code § 42036.4. The Foundation is submitting this letter pursuant to Cal. Code Regs. tit. 14, § 18973(c), “to explain[] the justification of confidentiality” of The Foundation’s Audit Report.

The Pharmaceutical and Sharps Waste Stewardship Statute (“PSWS”) Prohibits Disclosure of the Portions of the Audit Report. The express terms of the PSWS prohibit disclosure of and ensure that “[p]roprietary information submitted to the department under this chapter shall be protected by all parties as confidential and shall be exempt from public disclosure under the California Public Records Act [Gov. Code § 7920 et seq.]” Cal. Pub. Res. Code § 42036.4 (emphasis added). The PSWS specifically identifies “financial” information as protected proprietary information. *Id.* § 42036.4. The portions of the Audit Report which contain the Foundation’s financial information set forth The Foundation’s proprietary information.

The California Public Records Act (“CPRA”) Exempts Disclosure of Portions of the Audit Report. In addition to the specific prohibition under the PSWS, the CPRA exempts disclosure of certain categories of information, including trade secrets. Cal. Gov’t Code § 7920 *et seq.* The Audit Report contains confidential information including information regarding implementation of the PSWS stewardship program, and there is considerable independent economic value in this information. *Courtesy Temporary Service, Inc. v. Camacho*, 222 Cal. App. 3d 1278, 1287 (1990) (“[Confidential information] procured by substantial time, effort, and expense is a protectable trade secret.”).



The Foundation also makes reasonable efforts to maintain this information as confidential at all times. *Id.* at 1288 (finding reasonable efforts where information was not shared outside the company, and shared with employees only on an as-needed basis). Further, courts have found that information contained in an audit report may be protected from disclosures. *See Whyte v. Schlage Lock Co.*, 101 Cal. App. 4th 1443, 1456 (2002) (holding “cost and pricing information not readily known in the industry... was trade secret”).

If your office comes to any other conclusion, please notify us in writing not less than 10 working days in advance of any disclosure, so The Foundation may avail itself of judicial remedies if it deems necessary.

If there are any questions, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Chris Smith". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Chris Smith, President
Drug Takeback Solutions Foundation

cc: (w/Enclosure)

DRUG TAKEBACK SOLUTIONS FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023



DRUG TAKEBACK SOLUTIONS FOUNDATION

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Independent Auditor's Report

To the Board of Directors
Drug Takeback Solutions Foundation
Winston-Salem, North Carolina

We have audited the accompanying financial statements of Drug Takeback Solutions Foundation (a nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Drug Takeback Solutions Foundation as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Foundation, 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 auditing standards generally accepted in the United States of America 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, 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 auditing standards generally accepted in the United States of America, 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 Foundation'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 Foundation'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.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
March 28, 2024

DRUG TAKEBACK SOLUTIONS FOUNDATION
Statement of Financial Position
December 31, 2023

Assets

Current Assets:

[REDACTED]

\$ [REDACTED]

Total current assets

Total assets

\$ [REDACTED]

Liabilities and Net Assets

Current Liabilities:

[REDACTED]

\$ [REDACTED]

Total current liabilities

Net Assets:

[REDACTED]

[REDACTED]

Total net assets

Total liabilities and net assets

\$ [REDACTED]

DRUG TAKEBACK SOLUTIONS FOUNDATION
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
████████████████████	\$ ██████████	\$ -	\$ ██████████
Total revenue	██████████	-	██████████
Expenses:			
████████████████████	██████████	-	██████████
████████████████████	██████████	-	██████████
Total expenses	██████████	-	██████████
Changes in net assets from operations	██████████	-	██████████
████████████████████	██████████	-	██████████
████████████████████	██████████	-	██████████
Changes in net assets	██████████	-	██████████
Net assets - beginning of year	██████████	-	██████████
Net assets - end of year	\$ ██████████	\$ -	\$ ██████████

DRUG TAKEBACK SOLUTIONS FOUNDATION
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	Supporting Services	Total
Expenses:			
[REDACTED]	\$ [REDACTED]	\$ -	\$ [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total expenses	<u><u>\$ [REDACTED]</u></u>	<u><u>\$ [REDACTED]</u></u>	<u><u>\$ [REDACTED]</u></u>

DRUG TAKEBACK SOLUTIONS FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities:	
Changes in net assets from operations	\$ [REDACTED]
Adjustments to reconcile change in net assets to net cash used in operating activities:	
[REDACTED]	[REDACTED]
(Increase) decrease in:	
[REDACTED]	[REDACTED]
Increase (decrease) in:	
[REDACTED]	[REDACTED]
Net cash used in operating activities	<u>[REDACTED]</u>
Cash flows from financing activities:	
[REDACTED]	<u>[REDACTED]</u>
Net cash provided by financing activities	<u>[REDACTED]</u>
Net increase in cash and cash equivalents	[REDACTED]
Cash and cash equivalents at beginning of year	<u>[REDACTED]</u>
Cash and cash equivalents at end of year	<u><u>\$ [REDACTED]</u></u>

DRUG TAKEBACK SOLUTIONS FOUNDATION

Notes to Financial Statements

NOTE 1 -NATURE OF ACTIVITIES

Nature of Activities

Drug Takeback Solutions Foundation (“Foundation”) is a Delaware nonprofit corporation organized in June 2021. The Foundation's goal is to provide pharmaceutical manufacturers with a system, in compliance with state and local requirements, for the collection and disposal of unused, unwanted, and expired medicines.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual method records revenue when earned and expenses when incurred. As a result, receivables are recorded as assets, and obligations due are shown as liabilities.

For financial reporting purposes, the Foundation reports its net assets in the following categories in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic 958, *Not-for-Profit Entities*, net assets without donor restrictions and net assets with donor restrictions. Each category is described below:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions which will be met either by action of the Foundation and/or the passage of time. Donor-restricted funds may only be utilized in accordance with the purposes established by the donor of such funds. [REDACTED]

Recently Adopted Accounting Guidance

On June 16, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) 2016-13, *Credit Losses*, which changes how entities are required to measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change from this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to the guidance in FASB ASC 326 are trade accounts receivable.

The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

DRUG TAKEBACK SOLUTIONS FOUNDATION

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all cash accounts and highly liquid investments with an original maturity of three months or less. The Foundation maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”). Deposit accounts, at times, may exceed federally insured limits. At December 31, 2023, the Foundation's cash was fully insured by the FDIC.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Functional Allocation of Expense

The costs of providing program and supporting services are detailed in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among program services and supporting services. Directly identifiable expenses are charged to specific programs or supporting services.

DRUG TAKEBACK SOLUTIONS FOUNDATION
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expense (Continued)

Expenses related to more than one function are charged to program services and supporting services on the following basis:

<u>Expense Category</u>	<u>Method of Allocation by Function</u>
[REDACTED]	Estimate of time and effort
[REDACTED]	Estimate of time and effort

Income Taxes

The Foundation, a nonprofit organization, is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). However, certain activities not directly related to the Foundation's tax-exempt purpose could be subject to taxation as unrelated business income. The Foundation believes it has appropriate support for any tax positions taken, and does not have any uncertain tax positions that are material to the financial statements.

NOTE 3 - ACCOUNTS RECEIVABLE

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

NOTE 4 - CURRENT EXPECTED CREDIT LOSSES

Changes in the allowance for credit losses during the year were as follows:

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DRUG TAKEBACK SOLUTIONS FOUNDATION

Notes to Financial Statements

[REDACTED]

As

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Additionally, in California, the Foundation has received requests for action (“RFAs”) and notices of violation (“NOVs”) in 2023 and 2024 from the oversight agency, the California Department of Resources Recycling and Recovery (“CalRecycle”).

[REDACTED]

DRUG TAKEBACK SOLUTIONS FOUNDATION
Notes to Financial Statements

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

NOTE 8 - SUBSEQUENT EVENTS

The Foundation evaluated the effect of subsequent events through March 28, 2024, which is the date the financial statements were available to be issued. No events were identified that would require recognition or disclosure in the financial statements.



**Independent Auditor's Report
on Supplementary Information**

To the Board of Directors
Drug Takeback Solutions Foundation
Winston-Salem, North Carolina

We have audited the basic financial statements of Drug Takeback Solutions Foundation as of and for the year ended December 31, 2023 and our report thereon dated October 25, 2024, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as shown on the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 25, 2024

DRUG TAKEBACK SOLUTIONS FOUNDATION
Supplemental Statement of Activities
Year Ended December 31, 2023

	<u>CA Drugs</u>	<u>CA Sharps</u>	<u>OR Drugs</u>	<u>Total</u>
Revenue:				
████████████████████	██████████	█ ██████	█ ██████	██████████
Expenses:				
████████████████████	██████████	██████████	██████████	██████████
████████████████████	██████████	██████████	██████████	██████████
████████████████████	██████████	██████████	██████████	██████████
████████████████████	██████████	██████████	██████████	██████████
████████████████████	██████████	██████████	██████████	██████████
	3,858,138	907,931	1,331,942	6,098,011
████████████████████	██████████	██████████	██████████	██████████
████████████████████	██████████	██████████	██████████	██████████
Changes in net assets	<u>██████████</u>	<u>██████████</u>	<u>██████████</u>	<u>██████████</u>