

POLICE ATHLETIC LEAGUE, INC.



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2020 and 2019

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

POLICE ATHLETIC LEAGUE, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Police Athletic League, Inc.

We have audited the accompanying financial statements of Police Athletic League, Inc. ("PAL") which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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 audits. We conducted our audits 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 auditor's 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 entity'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 entity'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 Police Athletic League, Inc. as of December 31, 2020 and 2019, 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.

Marks Paneth LLP

New York, NY
May 25, 2021

POLICE ATHLETIC LEAGUE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents (Notes 2D and 12A)	\$ 2,842,772	\$ 2,622,706
Investments (Notes 2E and 4)	8,259,822	6,299,051
Due from government agencies (Notes 2I and 6)	3,739,851	3,082,685
Accounts receivable	111,340	87,486
Contributions receivable, net (Notes 2C, 2H and 7)	491,123	398,163
Prepaid expenses and other assets	200,577	346,092
Beneficial interest in split-interest agreements (Note 2F)	39,978	48,865
Property and equipment, net (Notes 2G and 5)	13,940,715	14,183,483
TOTAL ASSETS	\$ 29,626,178	\$ 27,068,531
LIABILITIES		
Accounts payable and accrued expenses (Note 2M)	\$ 1,609,417	\$ 1,302,400
Accrued salaries and benefits (Note 8)	2,144,365	1,448,285
Advances from government agencies (Notes 2I and 9)	1,697,009	2,468,875
Deferred revenue (Note 13)	7,486,814	7,429,279
Loan payable (Note 14)	1,500,000	112,299
Gift annuity payable (Note 2F)	61,838	59,737
TOTAL LIABILITIES	14,499,443	12,820,875
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Invested in property and equipment (Note 5)	6,453,901	6,754,204
Available for operations	7,863,221	6,691,404
Total net assets without donor restrictions	14,317,122	13,445,608
With donor restrictions (Note 10)	809,613	802,048
TOTAL NET ASSETS	15,126,735	14,247,656
TOTAL LIABILITIES AND NET ASSETS	\$ 29,626,178	\$ 27,068,531

POLICE ATHLETIC LEAGUE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	For the Year Ended December 31, 2020			For the Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Support (Note 2C)						
Special events, net of expenses of \$0 in 2020 and \$427,485 in 2019	\$ 1,198,526	\$ -	\$ 1,198,526	\$ 2,647,229	\$ -	\$ 2,647,229
Contributions from foundations and corporations (Notes 2C and 2I)	395,770	468,141	863,911	456,192	379,784	835,976
Contributions from individuals (Notes 2C and 2I)	1,070,248	-	1,070,248	682,388	25,000	707,388
Bequests and legacies	215,837	-	215,837	1,291	-	1,291
Contributed services, rent and other (Note 2J)	1,028,830	-	1,028,830	1,628,905	-	1,628,905
Change in value of split-interest agreements (Note 2F)	-	(10,286)	(10,286)	-	(9,731)	(9,731)
Net assets released from restrictions (Note 10)	449,586	(449,586)	-	287,071	(287,071)	-
Total Support	4,358,797	8,269	4,367,066	5,703,076	107,982	5,811,058
Revenue						
Government grants (Note 2I)	22,365,664	-	22,365,664	26,316,626	-	26,316,626
Rental income and fees (Note 2L)	316,751	-	316,751	608,382	-	608,382
Investment activity, net (Note 4)	463,596	(704)	462,892	611,924	7,975	619,899
Total Revenue	23,146,011	(704)	23,145,307	27,536,932	7,975	27,544,907
TOTAL SUPPORT AND REVENUE	27,504,808	7,565	27,512,373	33,240,008	115,957	33,355,965
EXPENSES						
Program services	22,576,866	-	22,576,866	28,350,846	-	28,350,846
Management and general	3,125,845	-	3,125,845	3,094,611	-	3,094,611
Fundraising	930,583	-	930,583	1,171,967	-	1,171,967
TOTAL EXPENSES	26,633,294	-	26,633,294	32,617,424	-	32,617,424
CHANGE IN NET ASSETS	871,514	7,565	879,079	622,584	115,957	738,541
Net assets - beginning of year	13,445,608	802,048	14,247,656	12,823,024	686,091	13,509,115
NET ASSETS - END OF YEAR	\$ 14,317,122	\$ 809,613	\$ 15,126,735	\$ 13,445,608	\$ 802,048	\$ 14,247,656

The accompanying notes are an integral part of these financial statements.

POLICE ATHLETIC LEAGUE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for December 31, 2019)

	For the Year Ended December 31, 2020								
	Program Services				Total Program Services	Supporting Services		Total 2020	Total 2019
	Child Care	Center Operations	Sports/ Recreation	Teen Programs		Management and General	Fundraising		
Salaries and wages	\$ 4,647,196	\$ 5,148,722	\$ 454,780	\$ 1,221,079	\$ 11,471,777	\$ 2,012,114	\$ 500,775	\$ 13,984,666	\$ 17,226,730
Payroll taxes and employee benefits (Note 8)	<u>1,711,384</u>	<u>1,110,329</u>	<u>93,183</u>	<u>254,765</u>	<u>3,169,661</u>	<u>714,680</u>	<u>174,575</u>	<u>4,058,916</u>	<u>4,094,643</u>
Total Salaries and Related Costs	6,358,580	6,259,051	547,963	1,475,844	14,641,438	2,726,794	675,350	18,043,582	21,321,373
Professional and other services	217,512	91,534	671,375	416,466	1,396,887	120,620	14,549	1,532,056	2,060,895
Supplies	230,612	126,768	76,525	26,947	460,852	3,906	9,996	474,754	1,288,612
Food	283,309	141,992	2,280	4,135	431,716	574	2,564	434,854	1,183,298
Occupancy costs (Note 11A)	1,322,820	389,856	137,408	44,393	1,894,477	-	-	1,894,477	2,080,856
Travel and conferences	2,591	34,506	4,440	13,969	55,506	6,001	79	61,586	466,026
Repairs and maintenance	580,711	217,026	42,049	2,299	842,085	18,052	-	860,137	964,138
Staff development	31,913	43,125	1,106	276	76,420	-	20	76,440	76,110
Telephone	48,643	95,775	6,756	69,479	220,653	17,037	5,925	243,615	217,843
Postage and printing	45,764	66,114	7,566	11,096	130,540	10,737	22,345	163,622	244,656
Insurance	344,014	238,417	60,932	34,400	677,763	60,000	20,000	757,763	580,356
Equipment rentals and purchases	53,165	160,158	94,046	44,466	351,835	62,220	25,903	439,958	369,340
Appeals	-	-	-	-	-	-	127,481	127,481	117,142
Bad debt	-	-	-	-	-	59,799	-	59,799	6,431
Depreciation and amortization	-	365,054	-	-	365,054	-	-	365,054	380,281
Contributed services, rent and other in-kind (Note 2J)	1,006,477	-	-	-	1,006,477	9,483	12,870	1,028,830	1,628,905
Miscellaneous	<u>7,284</u>	<u>6,468</u>	<u>5,652</u>	<u>5,759</u>	<u>25,163</u>	<u>30,622</u>	<u>13,501</u>	<u>69,286</u>	<u>58,647</u>
	10,533,395	8,235,844	1,658,098	2,149,529	22,576,866	3,125,845	930,583	26,633,294	33,044,909
Costs of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427,485)</u>
TOTAL EXPENSES	<u>\$ 10,533,395</u>	<u>\$ 8,235,844</u>	<u>\$ 1,658,098</u>	<u>\$ 2,149,529</u>	<u>\$ 22,576,866</u>	<u>\$ 3,125,845</u>	<u>\$ 930,583</u>	<u>\$ 26,633,294</u>	<u>\$ 32,617,424</u>

The accompanying notes are an integral part of these financial statements.

**POLICE ATHLETIC LEAGUE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	For the Year Ended December 31, 2019							
	Program Services				Supporting Services			
	Child Care	Center Operations	Sports/ Recreation	Teen Programs	Total Program Services	Management and General	Fundraising	Total 2019
Salaries and wages	\$ 4,916,756	\$ 7,276,744	\$ 441,836	\$ 1,691,812	\$ 14,327,148	\$ 2,257,325	\$ 642,257	\$ 17,226,730
Payroll taxes and employee benefits (Note 8)	<u>1,556,834</u>	<u>1,383,897</u>	<u>69,850</u>	<u>297,256</u>	<u>3,307,837</u>	<u>617,666</u>	<u>169,140</u>	<u>4,094,643</u>
Total Salaries and Related Costs	6,473,590	8,660,641	511,686	1,989,068	17,634,985	2,874,991	811,397	21,321,373
Professional and other services	475,377	158,702	493,374	898,535	2,025,988	13,262	21,645	2,060,895
Supplies	626,952	389,319	102,378	124,357	1,243,006	12,127	33,479	1,288,612
Food	621,327	472,990	20,147	51,031	1,165,495	17,122	681	1,183,298
Occupancy costs (Note 11A)	1,028,909	379,554	106,681	138,227	1,653,371	-	427,485	2,080,856
Travel and conferences	5,225	336,090	22,795	76,347	440,457	20,897	4,672	466,026
Repairs and maintenance	591,365	331,012	12,483	12,519	947,379	8,434	8,325	964,138
Staff development	44,975	24,793	2,754	2,789	75,311	404	395	76,110
Telephone	73,832	84,538	13,056	30,308	201,734	11,015	5,094	217,843
Postage and printing	70,291	32,386	5,276	3,299	111,252	3,976	129,428	244,656
Insurance	231,336	219,882	33,441	39,786	524,445	43,955	11,956	580,356
Equipment rentals and purchases	81,824	151,431	21,043	63,952	318,250	34,058	17,032	369,340
Appeals	-	-	-	-	-	-	117,142	117,142
Bad debt	-	-	-	-	-	6,431	-	6,431
Depreciation and amortization	5,033	375,248	-	-	380,281	-	-	380,281
Contributed services, rent and other in-kind (Note 2J)	1,628,892	-	-	-	1,628,892	-	13	1,628,905
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,939</u>	<u>10,708</u>	<u>58,647</u>
	11,958,928	11,616,586	1,345,114	3,430,218	28,350,846	3,094,611	1,599,452	33,044,909
Costs of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427,485)</u>	<u>(427,485)</u>
TOTAL EXPENSES	<u>\$ 11,958,928</u>	<u>\$ 11,616,586</u>	<u>\$ 1,345,114</u>	<u>\$ 3,430,218</u>	<u>\$ 28,350,846</u>	<u>\$ 3,094,611</u>	<u>\$ 1,171,967</u>	<u>\$ 32,617,424</u>

The accompanying notes are an integral part of these financial statements.

POLICE ATHLETIC LEAGUE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 879,079	\$ 738,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	365,054	380,281
Realized and unrealized gains on investments	(473,178)	(629,630)
Change in value of split-interest agreements	10,286	9,731
Bad debt	59,799	6,431
Subtotal	841,040	505,354
Changes in operating assets and liabilities:		
Due from government agencies	(657,166)	1,666,406
Accounts receivable	(23,854)	(43,444)
Contributions receivable	(152,759)	197,466
Prepaid expenses and other assets	145,515	20,765
Accounts payable and accrued expenses	307,017	371,709
Accrued salaries and benefits	696,080	151,222
Advances from government agencies	(771,866)	(1,248,100)
Deferred revenue	57,535	413,318
Gift annuity payable	2,101	1,213
	443,643	2,035,909
Net Cash Provided by Operating Activities	443,643	2,035,909
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(14,792)	(17,455)
Proceeds from sale of investments	(1,474,200)	1,186,907
Property and equipment acquisitions	(122,286)	(484,401)
	(1,611,278)	685,051
Net Cash (Used in) Provided by Investing Activities	(1,611,278)	685,051
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan payable proceeds	1,500,000	-
Loan payable repayments	(112,299)	(984,856)
	1,387,701	(984,856)
Net Cash Provided by (Used in) Financing Activities	1,387,701	(984,856)
NET INCREASE IN CASH AND CASH EQUIVALENTS	220,066	1,736,104
Cash and cash equivalents - beginning of year	2,622,706	886,602
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,842,772	\$ 2,622,706

The accompanying notes are an integral part of these financial statements.

POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1914, Police Athletic League, Inc. (“PAL”) is incorporated as a not-for-profit organization in the State of New York and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Each year, PAL serves over 20,000 young people throughout the five boroughs of New York City by providing them with safe and supportive environments in which they can learn, play, compete, perform and develop into happy, productive people. Through seven Early Learn Centers, PAL’s Child Care programs help children ages 2-5 develop social skills and build strong foundations for future achievement in school. Educational enrichment, leadership development, arts, and recreational opportunities for elementary and middle school children are offered through the Center Operations unit at 19 After-School programs and 19 Summer Day Camps. Teen Programming includes job skills training, college preparation, recreation, and crime prevention programs at 10 Teen Centers. PAL also connects over 1,800 teenagers with youth employment jobs and gives a second chance to disconnected youth, such as those who have been in trouble with the law. Youth development through sports remains a key component of the Sports and Recreation portfolio, with almost 6,000 youth taking part in more than six sports and 14 Play Streets throughout the city.

PAL receives its principal revenue from federal, New York State and local governmental sources.

These opportunities for learning and developing are supported by the New York City Police Department (“NYPD”), whose active participation and exposure to young people as mentors and playmates creates a unique learning experience and positive bonds between the police and the community they serve. PAL does not receive direct funding from the NYPD.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. *Basis of Accounting and Use of Estimates*** – The accompanying financial statements of PAL are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.
- B. *Net Assets*** – PAL maintains its net assets under the following two classes:
- Without Donor Restrictions – represents resources available for support of PAL’s operations over which the Board of Directors has discretionary control.
 - With Donor Restrictions – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In addition, earnings from endowment assets are classified as net assets with donor restrictions until appropriated for operation by the Board of Directors. Net assets with donor restrictions also includes assets that must remain intact in perpetuity.
- C. *Pledges Receivable*** – Pledges are recorded as revenue when the pledge is made. PAL discounts long-term pledges, when material, using a risk-adjusted interest rate for the expected term of the promise to give applicable to the years in which the pledges are received.
- D. *Cash Equivalents*** – PAL considers liquid debt instruments with a maturity of three months or less when acquired to be cash equivalents, with the exception of cash and those short-term investments managed by PAL’s investment managers for long-term investment purposes.

POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. **Investments** – Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment activity in the statements of activities. Interest income is recognized when earned and dividends are recorded on the ex-dividend date. Net investment income is recorded as either without donor restrictions or with donor restrictions, in accordance with donor intent, net of direct investment expense.

Fair value measurements are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

- F. **Split-Interest Agreements** – PAL's split-interest agreements with donors consist primarily of charitable gift annuities. Contribution revenue for a charitable gift annuity is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the donor and/or other beneficiaries based upon their life expectancies using Internal Revenue Service mortality tables. The discount rates vary according to the arrangements. A reclassification from or to net assets with donor restrictions is made each year to adjust the restricted reserve of gift annuities to the extent required by New York State insurance law. Actuarial gains and losses and amortization of the present value discount on annuity obligations are reflected as changes in values of split-interest agreements in the accompanying statements of activities.

- G. **Property and Equipment** – Purchases of property and equipment are recorded at cost. PAL capitalizes property and equipment having a cost of \$5,000 or more and a useful life of greater than one year. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease.

- H. **Allowance for Uncollectible Receivables** – PAL determines whether an allowance for uncollectible accounts should be provided for receivables. Such estimate is based on management's assessment of the likelihood of collection, including consideration of how long the receivables have been outstanding, creditworthiness of the donors, current economic conditions and historical information. As of December 31, 2020 and 2019, PAL recorded an allowance for contributions receivable of \$44,891 and \$100,600, respectively.

- I. **Revenue from Government and Other Sources** – Contributions are recognized when the donor makes a promise to give to PAL that is, in substance, unconditional. Conditional contributions and promises to give, those with a measurable performance or other barrier and a right of return, are not recognized as support until the conditions on which they depend are substantially met.

Revenue from government and other sources are nonexchange transactions and accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08. Grants and contributions are recognized as revenue when barriers within the contracts are overcome, and there is no right of return. PAL receives advances from the governmental and other sources, such advances amounted to approximately \$1,700,000 and \$2,500,000 as of December 31, 2020 and 2019, respectively, and are included in the accompanying statements of financial position.

As of December 31, 2020 and 2019, PAL received conditional grants and contributions accounted for under ASU 2018-08 from government and other sources in the aggregate amount of approximately \$48,666,000 and \$66,824,000, respectively. Such grants have not been recognized as revenue in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their budgets and agreements. If such services are not provided, the governmental and other entities are not obligated to disburse the funds allotted under the grants and contracts and PAL may be required to return the funds already remitted.

**POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Contributed Services, Rent and Other In-Kind* – PAL receives noncash contributions consisting primarily of contributed facilities and services (legal and other program services). The contributed facilities and services have been valued at the standard market rates that would have been incurred by PAL and are reported as both revenue and expense in the accompanying financial statements because they meet the criteria prescribed by accounting principles generally accepted in the United States of America. Contributed services, rent and other in-kind contributions amounted to \$1,028,830 and \$1,628,905 for the years ended December 31, 2020 and 2019, respectively.

K. *Functional Allocation of Expenses* – The costs of providing the various programs and other activities of PAL have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages, benefits, payroll taxes, professional services, information technology, insurance and other, which are allocated on the square footage basis or estimates of time and effort.

L. *Rental Income and Fees* – Rental income and fees consist of rents paid by various organizations for space they lease from PAL. Additionally, for the year ended December 31, 2019, it included daycare fees paid by parents to PAL for daycare programs. All fees are recorded when earned.

M. *Rent Straight-Lining* – PAL leases real property under operating leases expiring at various dates in the future. Since the rent payments increase over time, PAL records an adjustment to rent expense each year to reflect its straight-line policy. The annual deferred rent liability as of December 31, 2020 and 2019, amounted to approximately \$167,000 and \$147,000, respectively. Straight-lining of rent gives rise to a timing difference that is reflected within accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE 3 – LIQUIDITY AND AVAILABILITY

PAL regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. PAL has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. For the purposes of analyzing resources available to meet general expenditures over a twelve-month period, PAL considers all expenditures related to its ongoing program activities as well as service undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,842,772	\$ 2,622,706
Investments	8,259,822	6,299,051
Due from government agencies	3,739,851	3,082,685
Accounts receivable	111,340	87,486
Contributions receivable due in one year	479,123	365,483
Less: net assets with donor restrictions	<u>(809,613)</u>	<u>(802,048)</u>
	<u>\$ 14,623,295</u>	<u>\$ 11,655,363</u>

**POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Investments are reported at fair value based upon quoted market value. In determining fair value, PAL utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. PAL did not hold assets characterized as Level 3 during the years ended December 31, 2020 and 2019.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds – Mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by PAL are deemed to be actively traded.

Common stock and money market funds – Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. government securities – are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate bonds – are valued at the closing price reported in the market in which the individual securities are traded.

Investments carried at fair value at December 31, were as follows:

	2020		
	Level 1	Level 2	Total
Investments:			
Cash equivalents	\$ 2,660,601	\$ -	\$ 2,660,601
Common stock	1,440,548	-	1,440,548
Mutual funds:			
Equity funds	588,455	-	588,455
Bond funds	1,365,330	-	1,365,330
International equity funds	207,862	-	207,862
Total mutual funds	2,161,647	-	2,161,647
Government securities	957,932	-	957,932
Corporate bonds	-	1,039,094	1,039,094
Total investments	\$ 7,220,728	\$ 1,039,094	\$ 8,259,822

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	2019		
	Level 1	Level 2	Total
Investments:			
Cash equivalents	\$ 1,188,342	\$ -	\$ 1,188,342
Common stock	1,246,532	-	1,246,532
Mutual funds:			
Equity funds	363,647	-	363,647
Bond funds	1,423,034	-	1,423,034
International equity funds	195,098	-	195,098
Total mutual funds	1,981,779	-	1,981,779
Government securities	938,655	-	938,655
Corporate bonds	-	943,743	943,743
Total investments	<u>\$ 5,355,308</u>	<u>\$ 943,743</u>	<u>\$ 6,299,051</u>

Investment activity consisted of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 109,052	\$ 131,515
Realized and unrealized gain	378,706	511,202
Investment fees	<u>(24,866)</u>	<u>(22,818)</u>
	<u>\$ 462,892</u>	<u>\$ 619,899</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life</u>
Land	\$ 1	\$ 1	
Fine arts	25,000	25,000	
Furniture, fixtures and equipment	836,472	827,522	5-10 years
Leasehold improvements	13,496,465	13,440,665	25-40 years
Vehicles	158,843	158,843	5 years
Construction in progress	<u>7,486,815</u>	<u>7,429,279</u>	
Total cost	22,003,596	21,881,310	
Less: accumulated depreciation and amortization	<u>8,062,881</u>	<u>7,697,827</u>	
Net Book Value	<u>\$ 13,940,715</u>	<u>\$ 14,183,483</u>	

Depreciation and amortization expense amounted to \$365,054 and \$380,281 for the years ended December 31, 2020 and 2019, respectively.

The construction in progress relates to renovation projects at one of PAL's sites. The starting date of the project was in late 2016. The site is expected to start operating in October of 2021.

**POLICE ATHLETIC LEAGUE, INC.
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NOTE 6 – DUE FROM GOVERNMENT AGENCIES

Due from government agencies under grants and contracts consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
New York City agencies	\$ 2,031,422	\$ 1,869,630
U.S. Government agencies	1,190,757	833,164
New York State agencies	495,800	370,797
Other	<u>21,872</u>	<u>9,094</u>
	<u>\$ 3,739,851</u>	<u>\$ 3,082,685</u>

NOTE 7 – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 524,014	\$ 466,083
Due after one year	<u>12,000</u>	<u>32,680</u>
Total contributions receivable	536,014	498,763
Less: allowance for doubtful accounts	<u>(44,891)</u>	<u>(100,600)</u>
	<u>\$ 491,123</u>	<u>\$ 398,163</u>

NOTE 8 – ACCRUED SALARIES AND BENEFITS

- A. PAL maintains a defined contribution plan. All employees who are age 20½ and older and have completed six months of service are eligible to participate. PAL’s annual contribution is an amount equal to 10% of the employee’s annual compensation for those employees who choose to participate. For the years ended December 31, 2020 and 2019, total employer contributions amounted to approximately \$493,000 and \$512,000, respectively. The contribution for the year ended December 31, 2020, was not yet paid and is included under accrued salaries and benefits.

In addition, PAL maintains a 403(b) plan for eligible employees. The plan allows for employee contributions only and does not meet DOL audit requirements as of December 31, 2020 and 2019.

- B. On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Under one of the provisions of the CARES Act, PAL has elected to defer the remittance of certain employer payroll taxes as permitted by the CARES Act. The CARES Act postponed the due date for depositing employer payroll taxes and 50% of self-employment taxes related to Social Security and Railroad Retirement and attributable to wages paid during 2020. The 1.45% employer portion of Medicare tax is not eligible for deferral. The deferred amounts would be payable over the next two years – 50% due December 31, 2021, and the remaining 50% due December 31, 2022. As of December 31, 2020, \$556,282 has been deferred with half of the balance to be repaid in 2021 and the remaining balance in 2022.

NOTE 9 – ADVANCES FROM GOVERNMENT AGENCIES

Advances from government agencies represent advances received from various funding sources under government contracts for which PAL has not yet met the grant conditions or provided the services. In addition, they include amounts due to government agencies that primarily represent advances received during current and prior years. Such amounts will be recouped by the funding sources.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – ADVANCES FROM GOVERNMENT AGENCIES (Continued)

Advances from government agencies consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
New York City Administration for Children's Services	\$ 293,204	\$ 625,485
New York City Department of Youth and Community Development	799,618	1,843,390
New York City Office of the Criminal Justice Coordinator	445,260	-
New York State Department of Education	156,091	-
New York State Department of Health	<u>2,836</u>	<u>-</u>
	<u>\$ 1,697,009</u>	<u>\$ 2,468,875</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the purposes listed below as of December 31:

	<u>2020</u>	<u>2019</u>
Net Assets Restricted in Perpetuity:		
PAL Endowment Fund	\$ 385,000	\$ 385,000
Subject to expenditure for specified purpose and the passage of time:		
Center operations	15,613	18,995
Teen programming	114,499	144,318
Sports and recreation	107,833	107,833
Unappropriated earnings	80,253	80,957
Time restricted and other	<u>106,415</u>	<u>64,945</u>
Total net assets with donor restrictions	<u>\$ 809,613</u>	<u>\$ 802,048</u>

Net assets with donor restrictions of \$449,586 and \$287,071 for the years ended December 31, 2020 and 2019, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time.

The Board of PAL recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as net assets with donor restrictions until appropriated.

PAL's Board has interpreted NYPMIFA as allowing PAL to appropriate for expenditure or accumulate so much of an endowment fund as PAL determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or as without donor restrictions. All unappropriated earnings on donor-restricted endowment funds after September 17, 2010, that would otherwise be considered net assets without donor restrictions, are reflected as net assets with donor restrictions until appropriated. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as retained in perpetuity or for a donor specified period until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The policy for valuing PAL's investments is described in Note 2E. In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires PAL to hold in perpetuity is to be reported in net assets with donor restrictions. PAL has not incurred such deficiencies in its endowment funds as of December 31, 2020 and 2019.

**POLICE ATHLETIC LEAGUE, INC.
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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

PAL’s endowment investment policy is to invest primarily in a mix of equities and fixed-income securities based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. PAL relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in endowment net assets for the years ended December 31, 2020 and 2019, are as follows:

Endowment net assets, January 1, 2019	\$ 432,982
Appropriated for operations	-
Contributions	25,000
Interest and dividends	1,654
Investment fees	-
Investment income	<u>6,321</u>
Endowment net assets, December 31, 2019	465,957
Appropriated for operations	-
Contributions	-
Interest and dividends	1,441
Investment fees	(3,500)
Investment income	<u>1,355</u>
Endowment net assets, December 31, 2020	<u>\$ 465,253</u>

Endowment net assets of \$465,253 and \$465,957 are included with investments in the accompanying statements of financial position as of December 31, 2020 and 2019, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

- A. PAL leases office and program facilities from third parties subject to various written and unwritten lease agreements. The total rent expense related to such leases for the years ended December 31, 2020 and 2019 amounted to approximately \$1,502,000 and \$1,226,000, respectively, and is included in occupancy costs in the accompanying statements of functional expenses.

Approximate minimum lease commitments of more than one year are indicated below. The amounts include only noncancelable, written leases in effect as of December 31, 2020, and do not take into consideration any renewals, etc., negotiated after year end.

2021	\$ 967,000
2022	934,000
2023	945,000
2024	901,000
2025	565,000
Thereafter	<u>2,535,000</u>
	<u>\$ 6,847,000</u>

- B. PAL believes it had no uncertain tax positions as of December 31, 2020 and 2019 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- C. In the ordinary course of business PAL is a party to various lawsuits or complaints, some of which have arisen because New York State has temporarily suspended certain statutes of limitations. Some complaints and allegations date from 1958-2007, with the majority dating between 1970 and 1995. As of December 31, 2020, management cannot determine the final outcome of these claims and has not recorded any liability in the financial statements.

POLICE ATHLETIC LEAGUE, INC.
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NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

- D. The novel coronavirus (“COVID-19”) pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on PAL’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, PAL is currently unable to fully determine the extent of COVID-19’s impact on its operations in future periods. PAL’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. PAL continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

NOTE 12 – CONCENTRATIONS

- A. **Concentration of Credit Risk** – Cash and cash equivalents that potentially subject PAL to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 on interest-bearing and non-interest-bearing accounts. As of December 31, 2020 and 2019, there was approximately \$4,948,000 and \$3,453,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.
- B. **Concentration of Revenue** – PAL derives a significant portion of its revenue from contractual arrangements with government sources. Such revenue approximated 81% and 79% of total support and revenue for the years ended December 31, 2020 and 2019, respectively. Such revenue is subject to audit and possible adjustment by the various government agencies.

NOTE 13 – DEFERRED REVENUE

In 2015, PAL was awarded a grant from NYC Administration for Children’s Services (“ACS”) for the renovation of the La Puerta site (a leased property) that was destroyed by Hurricane Sandy. In accordance with the agreement, ACS made a number of advance payments amounting to \$7,486,814 as of December 31, 2020 to fund the project, which are recorded as deferred revenue in the accompanying financial statements. PAL will recognize contract revenue during the term of the agreement (the lesser of the life of the improvements or the lease term). PAL would decrease the asset to reflect its use, charging a depreciation expense. A decrease in the deferred revenue of the similar amount would be recognized as contract revenue.

NOTE 14 – LOAN PAYABLE

In June 2020, in response to COVID-19, various financial relief programs were made available to qualified businesses including non-profit organizations. PAL received an interest free working capital loan in the amount of \$1,500,000 from Non-Profit Finance Fund (“NFF”) to support its operations. The loan is repayable in three equal quarterly payments of \$500,000 commencing eighteen months from the closing date, January 29, 2022. As of December 31, 2020, the outstanding balance on the loan amounted to \$1,500,000. Imputed interest was not recorded since it was immaterial to the financial statements.

During the year ended December 31, 2019, PAL entered into an agreement with the Mayor’s Office of Criminal Justice (“MOCJ”) for a returnable grant fund in the amount of \$725,000. The loan is to be repaid from the approved MOCJ contract budget supported by valid invoices. As of December 31, 2019 the outstanding balance on the grant amounted to \$112,299 and was fully repaid in March 2020.

NOTE 15 – SUBSEQUENT EVENTS

PAL has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 25, 2021, the date the financial statements were available to be issued.