

POLICE ATHLETIC LEAGUE, INC.



**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2021 AND 2020

**POLICE ATHLETIC LEAGUE, INC.
FINANCIAL STATEMENTS
(TOGETHER WITH INDEPENDENT AUDITORS' REPORT)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Police Athletic League, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Police Athletic League, Inc. ("PAL"), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PAL as of December 31, 2021, and the changes in its net assets 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 ("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 PAL 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.

Report on 2020 Financial Statements

The financial statements of Police Athletic League, Inc. as of and for the year ended December 31, 2020 were audited by another auditor whose report dated May 25, 2021 expressed an unmodified opinion on those statements.

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 PAL's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PAL'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 PAL'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.

Mayer Hoffman McCann CPAs

New York, NY
May 23, 2022



POLICE ATHLETIC LEAGUE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2D and 12A)	\$ 6,149,034	\$ 2,842,772
Investments (Notes 2E and 4)	8,657,944	8,259,822
Due from government agencies (Notes 2I and 6)	6,967,455	3,739,851
Accounts receivable	93,936	111,340
Contributions receivable, net (Notes 2C, 2H and 7)	398,931	491,123
Prepaid expenses and other assets	207,790	200,577
Beneficial interest in split-interest agreements (Note 2F)	106,402	39,978
Property and equipment, net (Notes 2G and 5)	13,816,595	13,940,715
TOTAL ASSETS	\$ 36,398,087	\$ 29,626,178
LIABILITIES		
Accounts payable and accrued expenses (Note 2M)	\$ 3,764,519	\$ 1,609,417
Accrued salaries and benefits (Note 8)	1,426,088	2,144,365
Advances from government agencies (Notes 2I and 9)	5,768,483	1,697,009
Deferred revenue (Note 13)	7,486,814	7,486,814
Loan payable (Note 14)	1,500,000	1,500,000
Gift annuity payable (Note 2F)	31,917	61,838
TOTAL LIABILITIES	19,977,821	14,499,443
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Invested in property and equipment (Note 5)	6,329,781	6,453,901
Board designated	500,000	-
Available for operations	8,683,998	7,863,221
Total net assets without donor restrictions	15,513,779	14,317,122
With donor restrictions (Note 10)	906,487	809,613
TOTAL NET ASSETS	16,420,266	15,126,735
TOTAL LIABILITIES AND NET ASSETS	\$ 36,398,087	\$ 29,626,178

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

POLICE ATHLETIC LEAGUE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Support (Note 2C)						
Special events, net of direct benefits to donor of \$121,489 in 2021 and \$0 in 2020	\$ 796,820	\$ -	\$ 796,820	\$ 1,198,526	\$ -	\$ 1,198,526
Contributions from foundations and corporations (Notes 2C and 2I)	411,500	338,534	750,034	395,770	468,141	863,911
Contributions from individuals (Notes 2C and 2I)	758,430	-	758,430	1,070,248	-	1,070,248
Bequests and legacies	558,748	-	558,748	215,837	-	215,837
Contributed services, rent and other (Note 2J)	428,734	-	428,734	1,028,830	-	1,028,830
Change in value of split-interest agreements (Note 2F)	-	23,988	23,988	-	(10,286)	(10,286)
Net assets released from restrictions (Note 10)	267,876	(267,876)	-	449,586	(449,586)	-
Total Support	<u>3,222,108</u>	<u>94,646</u>	<u>3,316,754</u>	<u>4,358,797</u>	<u>8,269</u>	<u>4,367,066</u>
Revenue						
Government grants (Note 2I)	25,728,067	-	25,728,067	22,365,664	-	22,365,664
Rental income and fees (Note 2L)	307,111	-	307,111	316,751	-	316,751
Investment activity, net (Note 4)	401,146	2,228	403,374	463,596	(704)	462,892
Total Revenue	<u>26,436,324</u>	<u>2,228</u>	<u>26,438,552</u>	<u>23,146,011</u>	<u>(704)</u>	<u>23,145,307</u>
TOTAL SUPPORT AND REVENUE	<u>29,658,432</u>	<u>96,874</u>	<u>29,755,306</u>	<u>27,504,808</u>	<u>7,565</u>	<u>27,512,373</u>
EXPENSES						
Program services	25,139,577	-	25,139,577	22,576,866	-	22,576,866
Management and general	2,565,467	-	2,565,467	3,125,845	-	3,125,845
Fundraising	756,731	-	756,731	930,583	-	930,583
TOTAL EXPENSES	<u>28,461,775</u>	<u>-</u>	<u>28,461,775</u>	<u>26,633,294</u>	<u>-</u>	<u>26,633,294</u>
CHANGE IN NET ASSETS	1,196,657	96,874	1,293,531	871,514	7,565	879,079
Net assets - beginning of year	14,317,122	809,613	15,126,735	13,445,608	802,048	14,247,656
NET ASSETS - END OF YEAR	<u>\$ 15,513,779</u>	<u>\$ 906,487</u>	<u>\$ 16,420,266</u>	<u>\$ 14,317,122</u>	<u>\$ 809,613</u>	<u>\$ 15,126,735</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, 2021
(With Comparative Totals for December 31, 2020)

	For the Year Ended December 31, 2021								
	Program Services				Total Program Services	Supporting Services		Total 2021	Total 2020
	Child Care	Center Operations	Sports/ Recreation	Teen Programs		Management and General	Fundraising		
Salaries and wages	\$ 4,987,404	\$ 6,087,376	\$ 451,743	\$ 1,205,243	\$ 12,731,766	\$ 1,501,139	\$ 437,412	\$ 14,670,317	\$ 13,984,666
Payroll taxes and employee benefits (Note 8)	1,881,789	1,034,854	63,244	168,734	3,148,621	420,319	122,475	3,691,415	4,058,916
Total Salaries and Related Costs	6,869,193	7,122,230	514,987	1,373,977	15,880,387	1,921,458	559,887	18,361,732	18,043,582
Professional and other services	262,038	97,309	617,823	1,582,069	2,559,239	393,581	75,775	3,028,595	1,532,056
Supplies	216,450	161,998	39,907	44,863	463,218	6,373	5,498	475,089	474,754
Food	574,131	201,076	1,657	9,592	786,456	1,020	-	787,476	434,854
Occupancy costs (Note 11A)	1,629,130	379,479	148,184	65,130	2,221,923	-	68,930	2,290,853	1,894,477
Travel and conferences	17,598	28,173	6,615	16,667	69,053	8,867	1,099	79,019	61,586
Repairs and maintenance	624,241	380,295	28,223	31,903	1,064,662	5,724	-	1,070,386	860,137
Staff development	110,480	128,530	288	250	239,548	495	585	240,628	76,440
Telephone	75,961	98,643	7,232	26,056	207,892	14,623	5,818	228,333	243,615
Postage and printing	50,575	82,865	6,513	12,303	152,256	26,871	6,204	185,331	163,622
Insurance	184,212	196,805	41,082	12,475	434,574	60,000	20,000	514,574	757,763
Equipment rentals and purchases	60,458	152,442	14,707	32,604	260,211	40,122	6,845	307,178	439,958
Appeals	-	-	-	-	-	-	91,805	91,805	127,481
Bad debt	-	-	-	-	-	26,311	-	26,311	59,799
Depreciation and amortization	-	374,385	-	-	374,385	-	-	374,385	365,054
Contributed services, rent and other in-kind (Note 2J)	415,371	-	-	-	415,371	-	13,363	428,734	1,028,830
Miscellaneous	7,813	1,438	1,055	96	10,402	60,022	22,411	92,835	69,286
	11,097,651	9,405,668	1,428,273	3,207,985	25,139,577	2,565,467	878,220	28,583,264	26,633,294
Costs of direct benefit to donors	-	-	-	-	-	-	(121,489)	(121,489)	-
TOTAL EXPENSES	\$ 11,097,651	\$ 9,405,668	\$ 1,428,273	\$ 3,207,985	\$ 25,139,577	\$ 2,565,467	\$ 756,731	\$ 28,461,775	\$ 26,633,294

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**

	For the Year Ended December 31, 2020							
	Program Services					Supporting Services		
	Child Care	Center Operations	Sports/ Recreation	Teen Programs	Total Program Services	Management and General	Fundraising	Total 2020
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
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>
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
Professional and other services	217,512	91,534	671,375	416,466	1,396,887	120,620	14,549	1,532,056
Supplies	230,612	126,768	76,525	26,947	460,852	3,906	9,996	474,754
Food	283,309	141,992	2,280	4,135	431,716	574	2,564	434,854
Occupancy costs (Note 11A)	1,322,820	389,856	137,408	44,393	1,894,477	-	-	1,894,477
Travel and conferences	2,591	34,506	4,440	13,969	55,506	6,001	79	61,586
Repairs and maintenance	580,711	217,026	42,049	2,299	842,085	18,052	-	860,137
Staff development	31,913	43,125	1,106	276	76,420	-	20	76,440
Telephone	48,643	95,775	6,756	69,479	220,653	17,037	5,925	243,615
Postage and printing	45,764	66,114	7,566	11,096	130,540	10,737	22,345	163,622
Insurance	344,014	238,417	60,932	34,400	677,763	60,000	20,000	757,763
Equipment rentals and purchases	53,165	160,158	94,046	44,466	351,835	62,220	25,903	439,958
Appeals	-	-	-	-	-	-	127,481	127,481
Bad debt	-	-	-	-	-	59,799	-	59,799
Depreciation and amortization	-	365,054	-	-	365,054	-	-	365,054
Contributed services, rent and other in-kind (Note 2J)	1,006,477	-	-	-	1,006,477	9,483	12,870	1,028,830
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>
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>

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,293,531	\$ 879,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	374,385	365,054
Realized and unrealized gains on investments	(252,822)	(473,178)
Change in value of split-interest agreements	(23,988)	10,286
Bad debt	26,311	59,799
Subtotal	1,417,417	841,040
Changes in operating assets and liabilities:		
Due from government agencies	(3,227,604)	(657,166)
Accounts receivable	17,404	(23,854)
Contributions receivable	65,881	(152,759)
Prepaid expenses and other assets	(7,213)	145,515
Accounts payable and accrued expenses	2,155,102	307,017
Accrued salaries and benefits	(718,277)	696,080
Advances from government agencies	4,071,474	(771,866)
Deferred revenue	-	57,535
Gift annuity payable	(29,921)	2,101
Net Cash Provided by Operating Activities	3,744,263	443,643
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(228,542)	(1,503,784)
Proceeds from sale of investments	40,806	14,792
Property and equipment acquisitions	(250,265)	(122,286)
Net Cash Used in Investing Activities	(438,001)	(1,611,278)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan payable proceeds	-	1,500,000
Loan payable repayments	-	(112,299)
Net Cash Provided by Financing Activities	-	1,387,701
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,306,262	220,066
Cash and cash equivalents - beginning of year	2,842,772	2,622,706
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,149,034	\$ 2,842,772

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

POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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:
- a. Without Donor Restrictions – represents resources available for support of PAL’s operations over which the Board of Directors has discretionary control. As of December 31, 2021, the Board of Directors designated \$500,000 to support future development of PAL.
 - b. 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. ***Contributions Receivable*** – Contributions and pledges are recorded as revenue when the contribution or pledge is made. PAL discounts long-term contributions and 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 contributions and 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, 2021 AND 2020

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, 2021 and 2020, PAL recorded an allowance for contributions receivable of \$38,551 and \$44,891, 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 \$6,370,000 and \$1,700,000 as of December 31, 2021 and 2020, respectively, and are included in the accompanying statements of financial position.

As of December 31, 2021 and 2020, PAL received conditional grants and contributions accounted for under ASU 2018-08 from government and other sources in the aggregate amount of approximately \$44,724,000 and \$48,666,000, 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, 2021 AND 2020**

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 \$428,734 and \$1,028,830 for the years ended December 31, 2021 and 2020, 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.

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, 2021 and 2020, amounted to approximately \$174,000 and \$167,000, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,149,034	\$ 2,842,772
Investments	8,657,944	8,259,822
Due from government agencies	6,967,455	3,739,851
Accounts receivable	93,936	111,340
Contributions receivable due in one year	398,931	479,123
Less: board designated net assets	(500,000)	-
Less: net assets with donor restrictions	(906,487)	(809,613)
	<u>\$ 20,860,813</u>	<u>\$ 14,623,295</u>

**POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020.

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 were as follows at December 31:

	2021		
	Level 1	Level 2	Total
Investments:			
Cash equivalents	\$ 2,398,110	\$ -	\$ 2,398,110
Common stock	<u>1,599,393</u>	<u>-</u>	<u>1,599,393</u>
Mutual funds:			
Equity funds	2,470,731	-	2,470,731
Bond funds	641,907	-	641,907
International equity funds	<u>229,116</u>	<u>-</u>	<u>229,116</u>
Total mutual funds	3,341,754	-	3,341,754
Government securities	769,744	206,008	975,752
Corporate bonds	<u>-</u>	<u>342,935</u>	<u>342,935</u>
Total investments	<u>\$ 8,109,001</u>	<u>\$ 548,943</u>	<u>\$ 8,657,944</u>

**POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	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

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

	2021	2020
Interest and dividends	\$ 150,552	\$ 109,052
Realized and unrealized gain	285,288	378,706
Investment fees	(32,466)	(24,866)
	\$ 403,374	\$ 462,892

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2021	2020	Estimated Useful Life
Land	\$ 1	\$ 1	
Fine arts	25,000	25,000	
Furniture, fixtures and equipment	844,477	836,472	5-10 years
Leasehold improvements	13,638,997	13,496,465	25-40 years
Vehicles	258,571	158,843	5 years
Construction in progress	7,486,815	7,486,815	
Total cost	22,253,861	22,003,596	
Less: accumulated depreciation and amortization	(8,437,266)	(8,062,881)	
Net Book Value	\$ 13,816,595	\$ 13,940,715	

Depreciation and amortization expense amounted to \$374,385 and \$365,054 for the years ended December 31, 2021 and 2020, respectively.

The construction in progress relates to renovation projects at one of PAL's sites. The site is expected to start operating by the end of 2022.

**POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 – DUE FROM GOVERNMENT AGENCIES

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

	2021	2020
New York City agencies	\$ 5,546,692	\$ 2,031,422
U.S. Government agencies	1,083,413	1,190,757
New York State agencies	327,183	495,800
Other	10,167	21,872
	\$ 6,967,455	\$ 3,739,851

NOTE 7 – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consisted of the following as of December 31:

	2021	2020
Due within one year	\$ 437,482	\$ 524,014
Due after one year	-	12,000
Total contributions receivable	437,482	536,014
Less: allowance for doubtful accounts	(38,551)	(44,891)
	\$ 398,931	\$ 491,123

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, 2021 and 2020, total employer contributions amounted to approximately \$416,000 and \$493,000, respectively. The contribution for the year ended December 31, 2021, 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, 2021 and 2020.

B. On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security 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. During the year ended December 31, 2021, PAL has made payments in the amount of approximately \$255,000 of the \$556,282 deferred as of December 31, 2020. The remaining balance of \$301,282 is due by December 31, 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.

**POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 – ADVANCES FROM GOVERNMENT AGENCIES (Continued)

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

	<u>2021</u>	<u>2020</u>
New York State Office of Children and Family Services	\$ 2,709,277	\$ -
New York City Department of Youth and Community Development	2,520,718	799,618
New York City Administration for Children’s Services	381,304	293,204
New York City Office of the Criminal Justice Coordinator	-	445,260
New York State Department of Education	156,091	156,091
New York State Department of Health	<u>1,093</u>	<u>2,836</u>
	<u>\$ 5,768,483</u>	<u>\$ 1,697,009</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>2021</u>	<u>2020</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	4,884	15,613
Teen programming	74,079	114,499
Sports and recreation	148,806	107,833
Unappropriated earnings	82,481	80,253
Time restricted and other	<u>211,237</u>	<u>106,415</u>
Total net assets with donor restrictions	<u>\$ 906,487</u>	<u>\$ 809,613</u>

Net assets with donor restrictions of \$267,876 and \$449,586 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

**POLICE ATHLETIC LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, are as follows:

Endowment net assets, January 1, 2020	\$	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		465,253
Appropriated for operations		-
Contributions		-
Interest and dividends		2,472
Investment fees		(3,500)
Investment income		<u>3,256</u>
Endowment net assets, December 31, 2021	\$	<u>467,481</u>

Endowment net assets of \$467,481 and \$465,253 are included with investments in the accompanying statements of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020 amounted to approximately \$1,585,000 and \$1,502,000, 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, 2021, and do not take into consideration any renewals, etc., negotiated after year end.

2022	\$	934,000
2023		945,000
2024		901,000
2025		565,000
2026		582,000
Thereafter		<u>1,952,000</u>
		<u>\$ 5,879,000</u>

- B. PAL believes it had no uncertain tax positions as of December 31, 2021 and 2020 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, 2021, management cannot determine the final outcome of these claims and has not recorded any liability in the financial statements

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, 2021 and 2020, there was approximately \$6,183,000 and \$4,948,000, 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 86% and 81% of total support and revenue for the years ended December 31, 2021 and 2020, 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, 2021 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. As of December 31, 2021 and the date of this report, the site has not been placed in service and the contract did not yet commence. The site is expected to start operating by the end of 2022.

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, 2021, the outstanding balance on the loan amounted to \$1,500,000. Imputed interest was not recorded since it was immaterial to the financial statements. As of May 23, 2022 the outstanding balance for the loan amounted to \$500,000.

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 23, 2022, the date the financial statements were available to be issued.