

# **Police Athletic League of Philadelphia**

Financial Report  
August 31, 2020

## Contents

---

Independent auditor's report	1
<hr/>	
Financial statements	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4-5
Statements of cash flows	6
Notes to financial statements	7-18

---



## Independent Auditor's Report

RSM US LLP

Board of Directors  
Police Athletic League of Philadelphia

### Report on the Financial Statements

We have audited the accompanying financial statements of Police Athletic League of Philadelphia, which comprise the statements of financial position as of August 31, 2020 and 2019, 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.

### Auditor's 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 audits 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 of Philadelphia as of August 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.

*RSM US LLP*

Blue Bell, Pennsylvania  
May 25, 2021

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

**Police Athletic League of Philadelphia**

**Statements of Financial Position  
August 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 1,060,492	\$ 920,599
Investments	2,051,047	2,072,730
Unconditional promises to give, net	92,704	140,889
Prepaid and other assets	120,336	127,241
Supplies inventory	66,458	75,263
Property and equipment, net	2,973,531	3,173,584
Investments restricted for Tucker PAL endowment	33,000	33,000
Beneficial interest in perpetual trust (Widener Charitable Trust)	3,217,576	3,443,025
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 9,615,144</b>	<b>\$ 9,986,331</b>
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 58,604	\$ 70,851
Accrued expenses	90,975	51,052
Refundable advance	14,755	-
Note payable	598,317	650,040
<b>Total liabilities</b>	<hr/> <b>762,651</b>	<hr/> <b>771,943</b>
Commitments and contingencies (Note 8 and 13)		
Net assets:		
Without donor restrictions	4,149,434	4,055,420
With donor restrictions	4,703,059	5,158,968
<b>Total net assets</b>	<hr/> <b>8,852,493</b>	<hr/> <b>9,214,388</b>
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 9,615,144</b>	<b>\$ 9,986,331</b>
	<hr/>	<hr/>

See notes to financial statements.

**Police Athletic League of Philadelphia**

**Statements of Activities  
Years Ended August 31, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 1,368,316	\$ 214,352	\$ 1,582,668	\$ 1,688,642	\$ 338,919	\$ 2,027,561
Fund-raising events	646,670	120,800	767,470	830,898	123,375	954,273
Contributed services	3,530,239	-	3,530,239	3,833,214	-	3,833,214
In-kind contributions	69,913	-	69,913	510,626	-	510,626
Net investment return	468,579	-	468,579	219,096	-	219,096
Gain on sale of vehicle	-	-	-	1,200	-	1,200
Net decrease in beneficial interest in perpetual trust	-	(225,449)	(225,449)	-	(35,808)	(35,808)
Net assets released from restrictions	565,612	(565,612)	-	595,176	(595,176)	-
<b>Total support and revenue</b>	<b>6,649,329</b>	<b>(455,909)</b>	<b>6,193,420</b>	<b>7,678,852</b>	<b>(168,690)</b>	<b>7,510,162</b>
Expenses:						
Program services:						
Children's programs	5,309,609	-	5,309,609	6,106,311	-	6,106,311
Supporting services:						
General and administrative	567,735	-	567,735	562,853	-	562,853
Fund-raising	656,614	-	656,614	683,621	-	683,621
Cost of direct benefits to donors	21,357	-	21,357	128,530	-	128,530
<b>Total expenses</b>	<b>6,555,315</b>	<b>-</b>	<b>6,555,315</b>	<b>7,481,315</b>	<b>-</b>	<b>7,481,315</b>
<b>Change in net assets</b>	<b>94,014</b>	<b>(455,909)</b>	<b>(361,895)</b>	<b>197,537</b>	<b>(168,690)</b>	<b>28,847</b>
Net assets:						
Beginning	4,055,420	5,158,968	9,214,388	3,857,883	5,327,658	9,185,541
Ending	\$ 4,149,434	\$ 4,703,059	\$ 8,852,493	\$ 4,055,420	\$ 5,158,968	\$ 9,214,388

See notes to financial statements.

**Police Athletic League of Philadelphia**

**Statement of Functional Expenses  
Year Ended August 31, 2020**

	Program Services		Supporting Services		Total Expenses
	Children's Programs	General and Administrative	Fund-Raising	Cost of Direct Benefits to Donors	
Salaries and wages	\$ 656,952	\$ 245,811	\$ 413,356	\$ -	\$ 1,316,119
Employee benefits	123,719	76,012	112,035	-	311,766
Professional fees	-	85,308	-	-	85,308
Occupancy	226,895	2,116	-	-	229,011
Travel	784	6,806	2,233	-	9,823
Office	600	40,091	8,009	-	48,700
Insurance	141,492	37,731	9,433	-	188,656
Activities and education	183,323	-	-	-	183,323
Telephone	12,700	6,350	6,350	-	25,400
Information technology	-	33,478	25,408	-	58,886
Direct fund-raising costs	-	-	13,877	-	13,877
Public relations	-	1,100	-	-	1,100
Depreciation and amortization	242,810	16,535	16,535	-	275,880
Interest	-	10,387	-	-	10,387
Maintenance and repairs	190,095	-	-	-	190,095
Events	-	-	49,378	21,357	70,735
Contributed services	3,530,239	-	-	-	3,530,239
Bad debt	-	6,010	-	-	6,010
	<b>\$ 5,309,609</b>	<b>\$ 567,735</b>	<b>\$ 656,614</b>	<b>\$ 21,357</b>	<b>\$ 6,555,315</b>

See notes to financial statements.

**Police Athletic League of Philadelphia**

**Statement of Functional Expenses  
Year Ended August 31, 2019**

	Program Services		Supporting Services		Total Expenses
	Children's Programs	General and Administrative	Fund-Raising	Cost of Direct Benefits to Donors	
Salaries and wages	\$ 696,064	\$ 262,214	\$ 403,726	\$ -	\$ 1,362,004
Employee benefits	117,188	74,891	98,354	-	290,433
Professional fees	-	62,896	6,754	-	69,650
Occupancy	270,482	1,424	1,424	-	273,330
Travel	1,926	8,230	2,202	-	12,358
Office	600	43,936	6,556	-	51,092
Insurance	141,556	38,500	6,810	-	186,866
Activities and education	477,554	-	-	-	477,554
Telephone	18,027	3,401	3,409	-	24,837
Information technology	-	30,622	17,204	-	47,826
Direct fund-raising costs	-	-	23,752	-	23,752
Public relations	-	6,759	-	-	6,759
Depreciation and amortization	339,873	16,535	16,535	-	372,943
Interest	-	11,200	-	-	11,200
Maintenance and repairs	209,827	-	-	-	209,827
Events	-	-	96,895	128,530	225,425
Contributed services	3,833,214	-	-	-	3,833,214
Bad debt	-	2,245	-	-	2,245
	<u>\$ 6,106,311</u>	<u>\$ 562,853</u>	<u>\$ 683,621</u>	<u>\$ 128,530</u>	<u>\$ 7,481,315</u>

See notes to financial statements.

## Police Athletic League of Philadelphia

### Statements of Cash Flows Years Ended August 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (361,895)	\$ 28,847
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net (gain) loss on investments	(265,720)	5,076
Gain on sale of vehicle	-	(1,200)
Contribution restricted for purchase of property and equipment	(50,000)	(10,000)
In-kind contribution of property and equipment	-	(203,000)
Noncash contribution of investment	-	(25,262)
Net decrease in beneficial interest in perpetual trust	225,449	35,808
Depreciation and amortization	275,880	372,943
Bad debt expense	6,010	2,245
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Unconditional promises to give	42,175	23,803
Prepaid and other current assets	6,905	(35,309)
Supplies inventory	8,805	20,014
Increase (decrease) in:		
Accounts payable	(30,234)	(20,844)
Accrued expenses	39,923	(15,878)
Refundable advance	14,755	-
<b>Net cash (used in) provided by operating activities</b>	<b>(87,947)</b>	<b>177,243</b>
Cash flows from investing activities:		
Purchase of property and equipment	(57,840)	(158,537)
Purchase of investments	(543,202)	(556,226)
Proceeds from sale of investments	830,605	801,881
Proceeds from sale of vehicle	-	1,200
<b>Net cash provided by investing activities</b>	<b>229,563</b>	<b>88,318</b>
Cash flows from financing activities:		
Proceeds from contribution restricted for purchase of equipment	50,000	135,000
Repayments of note payable	(51,723)	(50,911)
<b>Net cash (used in) provided by financing activities</b>	<b>(1,723)</b>	<b>84,089</b>
<b>Net increase in cash and cash equivalents</b>	<b>139,893</b>	<b>349,650</b>
Cash and cash equivalents:		
Beginning	920,599	570,949
Ending	\$ 1,060,492	\$ 920,599
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 10,387	\$ 11,200
Supplemental schedules of noncash investing activities:		
Purchase of property and equipment in accounts payable	\$ 17,987	\$ -
Noncash contribution of investment	\$ -	\$ 25,262
In-kind contribution of property and equipment	\$ -	\$ 203,000

See notes to financial statements.



## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Police Athletic League of Philadelphia (PAL) was founded in 1947, to offer sandlot baseball to the youth of North Philadelphia. At the time, PAL consisted of one Sergeant with a vision and a team of neighborhood kids who were willing to play ball. Since its inception, PAL has worked to build positive relationships between youth, the communities in which they live and the dedicated men and women of the Philadelphia Police Department. During the intervening years, tens-of-thousands of children have gone to their neighborhood PAL Center to escape the dangers of the streets, play organized sports and engage in a variety of educational and cultural activities.

PAL is “Cops Helping Kids.” PAL aspires to be the premier youth-serving organization in the city, by reducing crime, promoting character development and improving educational outcomes. PAL does this by having Philadelphia Police Officers, supported by civilians, offer sports and other programs to youth in 17 centers in some of the city’s highest crime and lowest income neighborhoods. PAL Centers are safe havens, offering a variety of programs and other events to attract, engage and develop more than 20,000 of Philadelphia’s youth.

A summary of significant accounting policies is as follows:

**Basis of accounting:** The financial statements of PAL have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

**Basis of presentation:** PAL reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**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 revenues and expenses, including functional allocations during the reported period. Actual results could differ from those estimates.

**Cash and cash equivalents:** PAL considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents.

**Credit and financial risk:** PAL maintains cash balances at several commercial banks. The balances at some of these banks at various times during the year and, as of August 31, 2020, exceeded the amount insured by the FDIC. PAL does not believe it is exposed to any significant credit risk with respect to cash.

PAL’s investments are exposed to various risks, such as interest rate, market and credit risk.

**Promises to give:** Unconditional promises to give are recognized as revenue in the period the promises to give are received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value, if expected to be collected in one year, and at present value of estimated future cash flows if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Investments:** Investments in equity and debt securities are reported at fair value. Fair value is primarily determined based on quoted market prices or other market inputs. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment advisory fees. Money market funds held in the investment portfolio are reported with investments.

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Supplies inventory:** Supplies inventory, consisting of athletic equipment and supplies, is stated at the lower of cost, determined by the first-in, first-out method, or net realizable value.

**Property and equipment:** Property and equipment are recorded at cost for purchased items, or if donated, at the approximate fair value at the date of donation. PAL has a capitalization policy to capitalize equipment and furniture in excess of \$1,000, computer and leasehold improvements in excess of \$1,500 and vehicles in excess of over \$10,000. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Leasehold improvements are amortized on the straight-line method over the shorter of estimated useful lives of the assets or the related lease terms.

**Beneficial interest in perpetual trust (Widener Charitable Trust):** PAL is the income only beneficiary of a perpetual trust created under the will of George D. Widener. The corpus of the trust is held in perpetuity. All earnings from the trust, net of trustee fees, are applied to the cost of PAL's basketball program, or to the extent that the earnings cannot be used for such program, to defray the costs of other PAL athletic programs. Since PAL will receive a perpetual stream of income from the trust, PAL's beneficial interest in the trust, representing the present value of future income streams from the underlying investments, is recorded as net assets with donor restrictions.

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

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor restrictions.

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Contributions and grants:** Unconditional contributions and grants received are recognized as revenue in the period received, and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional contributions are not recognized until the conditions are satisfied.

Unconditional contributions and grants are recorded as contributions and grants without donor restrictions or contributions and grants with donor restrictions, depending upon the existence and the nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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.

**Governmental grants:** Revenue from certain grants with state and local government agencies is recognized when the related costs are incurred, or services performed. Funds received prior to the recognition of the related revenue are reported as refundable advances.

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Cost of direct benefit to donors:** PAL conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. The direct costs of the special events which ultimately benefit the donor rather than PAL are recorded as cost of direct benefit to donors' expense.

**Contributed services:** The value of contributed services, provided primarily by the City of Philadelphia for the police officers that staff the various PAL centers, has been included in the financial statements as contributions and expenses. The value of those services represents the officers' base salaries plus fringe benefits.

Additionally, a substantial number of volunteers have donated significant amounts of time to PAL in various capacities. However, these services have not been recognized, in as much as such services either do not require specialized skills, or would not typically be purchased, had they not been provided by donation. The value of these services is not readily determinable.

**In-kind contributions:** Donations of equipment, tickets for events, use of space for PAL centers, advertising and other materials and supplies are recorded as contributions at their estimated value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

**Functional allocation of expenses:** The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expense that are allocated include salaries and wages, employee benefits, insurance and depreciation and amortization, which are allocated on the basis of estimates of time and effort and usage of space.

**Income taxes:** PAL is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, PAL qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. PAL had no net unrelated business income for the years ended August 31, 2020 and 2019.

Management evaluated PAL's tax positions and concluded that PAL had taken no uncertain tax positions that require adjustment to the financial statements. PAL files income tax returns in the U.S. federal jurisdiction. Generally, PAL is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

**Reclassifications:** Certain amounts in the financial statements for the year ended August 31, 2019, have been reclassified to conform to the presentation for the year ended August 31, 2020. The reclassifications had no effect on change in net assets or net assets balance.

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Recent Accounting Guidance:** In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Nonprofit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution), and for distinguishing between conditional and unconditional contributions. This ASU also clarifies the guidance used by entities other than nonprofits to identify and account for contributions made. This ASU has different effective dates for resource recipients and resource providers. Where PAL is a resource recipient, the ASU is applicable to contributions received for PAL's annual reporting periods beginning after December 15, 2018. As such, PAL adopted the ASU during the year ended August 31, 2020, and the ASU had no significant impact to PAL's financial statements. Where PAL is a resource provider, the ASU is effective for PAL's annual reporting periods beginning after December 15, 2019, and the impact of adopting this ASU on PAL's financial statements for subsequent periods has not yet been determined.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. These ASUs are effective for PAL's annual reporting periods beginning after December 15, 2021, with early adoption permitted. The impact of adopting this ASU on PAL's financial statements for subsequent periods has not yet been determined.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements of Accounting Standards Codification (ASC) Topic 820. The ASU is effective for annual reporting period beginning after December 15, 2019. The impact of adopting this ASU on PAL's financial statements for subsequent periods has not yet been determined.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The ASU is effective for annual reporting period beginning after June 15, 2021. The impact of adopting this ASU on PAL's financial statements for subsequent periods has not yet been determined.

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 2. Liquidity and Availability of Financial Resources

The table below represents financial assets available for general expenditures within one year of August 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 1,060,492	\$ 920,599
Investments	2,051,047	2,072,730
Unconditional promises to give, net	92,704	140,889
Other current assets	32,418	41,009
	<u>3,236,661</u>	<u>3,175,227</u>
Less net assets with donor restrictions – purpose restricted	720,338	833,600
Financial assets available for general expenditures within one year	<u>\$ 2,516,323</u>	<u>\$ 2,341,627</u>

PAL has various sources of liquidity at its disposal, including cash and cash equivalents and investments. PAL manages its cash available to meet general expenditures to meet operating needs within a prudent range or financial soundness and stability. PAL's investments primarily consist of mutual funds that are highly liquid.

#### Note 3. Unconditional Promises to Give

Unconditional promises to give at August 31, 2020 and 2019, are \$92,704 and \$140,889, respectively, and due to be collected within one year.

#### Note 4. Property and Equipment

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

	2020	2019
Land and buildings	\$ 3,940,890	\$ 3,940,890
Furniture and fixtures	123,574	123,574
Vehicles	796,749	766,430
Leasehold improvements	1,695,246	1,649,738
Equipment	815,329	815,329
Athletic equipment	117,271	117,271
Metric program software	58,800	58,800
	<u>7,547,859</u>	<u>7,472,032</u>
Less accumulated depreciation and amortization	4,574,328	4,298,448
	<u>\$ 2,973,531</u>	<u>\$ 3,173,584</u>

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 4. Property and Equipment (Continued)

On November 16, 2015, PAL entered into an agreement of sale with the Philadelphia Authority for Industrial Development (PAID) to purchase a property located at 2518 East Clearfield Street, Philadelphia, with a purchase price of \$1. Use of the premises is restricted for 10 years, to be used by PAL to advance PAL's mission, as defined in the agreement. The purchase of the property was settled on January 11, 2016. The estimated fair value of the property was \$1,146,259 at the time of the settlement. Due to the explicit donor's restriction, it was recorded as in-kind contribution with donor restrictions at the time of the settlement and net assets with donor restrictions is released over 10 years (see Note 6).

#### Note 5. Note Payable

On February 11, 2016, PAL issued a note payable to a bank in the amount of \$825,000 to fund building improvements of the newly acquired property used as PAL headquarters and a PAL center. The note is payable in monthly installments of \$5,176, including interest at 1.63%, through February 1, 2031. The note is collateralized by a mortgage of the property. The balance as of August 31, 2020 and 2019, was \$598,317 and \$650,040, respectively. Interest expense was \$10,387 and \$11,200 for the years ended August 31, 2020 and 2019, respectively.

Years ending August 31:

2021	\$ 52,620
2022	53,496
2023	54,387
2024	55,274
2025	56,213
Thereafter	326,327
	<u>\$ 598,317</u>

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2020 and 2019, consist of the following:

	2020	2019
Time restricted:		
Buildings	\$ 611,345	\$ 725,968
Other	120,800	123,375
	<u>732,145</u>	<u>849,343</u>
Purpose restricted:		
Tucker PAL center	69,130	82,775
26th PAL center	190,794	300,845
Education and mentoring	50,083	55,620
Computer program	-	14,054
Vehicle	10,000	10,000
Facilities fund	4,000	4,000
Adopt-A-Center	396,331	366,306
	<u>720,338</u>	<u>833,600</u>
Endowment (see Note 12):		
Tucker PAL endowment	33,000	33,000
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust (Widener Charitable Trust)	3,217,576	3,443,025
	<u>\$ 4,703,059</u>	<u>\$ 5,158,968</u>

The time restriction for the buildings used as PAL headquarters and a PAL center is related to the donor's explicit restriction on the use of the buildings for a period of 10 years (see Note 4).

#### Note 7. Significant Contributions

PAL recognized contributed services from the City of Philadelphia for the Philadelphia Police Officers assigned to the PAL centers in the amount of \$3,530,239 and \$3,833,214 for the years ended August 31, 2020 and 2019, respectively. These contributed services represented 57% and 51% of the total support and revenue for the years ended August 31, 2020 and 2019, respectively.

#### Note 8. Leases

PAL leases space for use as PAL program centers under several non-cancellable operating leases that expire on various dates through June 2027. Future minimum lease payments for operating leases are as follows:

Years ending August 31:	
2021	\$ 58,629
2022	54,689
2023	41,909
2024	21,463
2025	20,889
Thereafter	39,623
	<u>\$ 237,202</u>

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### **Note 8. Leases (Continued)**

Additionally, some of the centers use space free of charge. In these locations, PAL is responsible for utilities and other costs. Rent expense was \$165,586 and \$201,233, including in-kind contributions of \$31,947 and \$46,468, for the years ended August 31, 2020 and 2019, respectively.

#### **Note 9. Retirement Plan**

PAL offers all eligible employees the opportunity to participate in a tax deferred Simple Employee Pension Plan (the Plan). The Plan provides for a discretionary matching contribution by PAL. PAL contributed 4% of base salary for each eligible employee to the Plan, totaling \$38,445 and \$42,025 for the years ended August 31, 2020 and 2019, respectively.

#### **Note 10. Related Party Transactions**

PAL is related by common board members to the Police Athletic League of Philadelphia Scholarship Foundation (the Foundation) whose mission is to provide scholarships to eligible college-bound PAL youngsters, as defined. PAL's fund-raising activities include raising contributions for scholarships granted by the Foundation. PAL also provides program and administrative services for the scholarship program on behalf of the Foundation. During the years ended August 31, 2020 and 2019, the Foundation reimbursed PAL \$70,000 for expenses incurred in providing program and administrative services to the Foundation. The balance due from the Foundation was \$0 and \$30,908 at August 31, 2020 and 2019, respectively, and is included in prepaid and other current assets in the statements of financial position.

#### **Note 11. Fair Value Measurements**

PAL determines fair value using the following fair value hierarchy established under the fair value measurements standard that prioritizes the inputs to valuation techniques used to measure fair value. The standard applies to all financial instruments that are measured and reported on a fair value basis in its financial statements. The three levels of fair value hierarchy are described below:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of PAL's financial assets and liabilities that are carried at fair value.

**Investments:** The fair value of securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). When listed prices or quotes are not available, fair value is based upon quoted market prices for similar or identical assets or other observable inputs (Level 2) or significant management judgment or estimation based upon unobservable inputs due to limited or no market activity of the instrument (Level 3).



## Police Athletic League of Philadelphia

### Notes to Financial Statements

#### Note 11. Fair Value Measurements (Continued)

**Beneficial interest in perpetual trust:** The fair value of beneficial interest in perpetual trust is measured by the estimated present value of the expected future cash receipts from the trust's assets. The fair value of the assets held in trust is deemed to approximate such amount.

**Fair value on a recurring basis:** The tables below present the balance of assets measured at fair value on a recurring basis.

	Fair Value Measurements at August 31, 2020 Using			
	Assets Measured at Fair Value August 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments in marketable securities:				
Money market funds	\$ 62,927	\$ 62,927	\$ -	\$ -
U.S. fixed income funds	511,034	511,034	-	-
Global fixed income funds	57,601	57,601	-	-
U.S. equity funds	1,021,305	1,021,305	-	-
Global equity funds	431,180	431,180	-	-
	2,084,047	2,084,047	-	-
Beneficial interest in perpetual trust	3,217,576	-	-	3,217,576
	<u>\$ 5,301,623</u>	<u>\$ 2,084,047</u>	<u>\$ -</u>	<u>\$ 3,217,576</u>

	Fair Value Measurements at August 31, 2019 Using			
	Assets Measured at Fair Value August 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments in marketable securities:				
Money market funds	\$ 25,963	\$ 25,963	\$ -	\$ -
U.S. fixed income funds	608,972	608,972	-	-
Global fixed income funds	70,220	70,220	-	-
U.S. equity funds	776,901	776,901	-	-
Global equity funds	600,016	600,016	-	-
U.S. common stock	23,658	23,658	-	-
	2,105,730	2,105,730	-	-
Beneficial interest in perpetual trust	3,443,025	-	-	3,443,025
	<u>\$ 5,548,755</u>	<u>\$ 2,105,730</u>	<u>\$ -</u>	<u>\$ 3,443,025</u>

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 11. Fair Value Measurements (Continued)

The table below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended August 31, 2020 and 2019.

	2020	2019
Beneficial interest in perpetual trust:		
Balance, beginning of the year	\$ 3,443,025	\$ 3,478,833
Net investment return	(60,631)	131,760
Distributions	(164,818)	(167,568)
Balance, end of year	<u>\$ 3,217,576</u>	<u>\$ 3,443,025</u>

At August 31, 2020 and 2019, PAL did not have any financial instruments that are recorded at fair value on a non-recurring basis. In addition, there was no change in valuation techniques used to measure fair value of the assets.

#### Note 12. Endowment

PAL's endowment consists of one fund that was established to support the Tucker PAL center. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and are reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Commonwealth of Pennsylvania has not adopted UPMIFA. State law allows non-profit organization to make an election to adopt a total return investment policy as provided by Act 141 (1988) of Pennsylvania legislature, 15 Pa.C.S.A Section 5548 (total return election). PAL did not make total return election and, as such, PAL is free to adopt any prudent investment policy and to make withdrawals consistent with its goals of preserving the endowment funds while making funds available for continued operations in absence of donor restrictions to limit withdrawals from the funds to income or any other explicit restrictions.

**Spending policy, return objectives and risk parameters:** PAL has adopted investment and spending policies for the Tucker PAL endowment fund to provide a predictable stream of funding to the program supported by its endowment without bearing significant risk of market fluctuation.

Corpus of the Tucker PAL endowment fund is to be held in perpetuity. PAL maintains an investment account with a diversified portfolio of mutual funds in order to maintain purchasing power of the endowment fund, while assuming a moderate level of investment risk. Interest and dividends earned on the account is appropriated as determined by the Board of Directors. The balance of corpus of the Tucker PAL endowment at August 31, 2020 and 2019, was \$33,000.

Endowment fund as of August 31, 2020, is composed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 33,000	\$ 33,000

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### Note 12. Endowment (Continued)

Changes in the endowment fund for the year ended August 31, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 33,000	\$ 33,000
Interest and dividends		1,182	1,182
Appropriation of endowment assets for expenditure	-	(1,182)	(1,182)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>

The endowment fund as of August 31, 2019, is composed as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>

Changes in the endowment fund for the year ended August 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 33,000	\$ 33,000
Interest and dividends		1,081	1,081
Appropriation of endowment assets for expenditure	-	(1,081)	(1,081)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>

#### Note 13. Contingencies

PAL is, from time to time, subject to variety of litigation and similar proceedings incidental to its mission, most of which are covered by insurance. Based upon PAL's experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its activities, financial position or liquidity.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. PAL may be significantly impacted by the pandemic, which could result in material future changes to the PAL's financial position and results of operations.

## Police Athletic League of Philadelphia

### Notes to Financial Statements

---

#### **Note 13. Contingencies (Continued)**

On April 23, 2020, PAL entered into a term loan with a bank pursuant to the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) administered by the U.S. Small Business Administration (SBA). The principal amount of the term loan totaled \$308,755 with interest accruing at a rate of 1% annually. In accordance with the requirements of the PPP, the term loan is to be used to cover certain qualified expenses, including payroll and other costs. PAL applied for forgiveness and submitted support of the qualified expenditures under the PPP, which include payroll and other qualifying costs incurred during the eight weeks following disbursement. PAL has chosen to account for the proceeds from the PPP loan in accordance with ASC 958-605. During the year ended August 31, 2020, PAL recorded contribution in the amount of \$294,000, which is included in contributions and grants in the statement of activities, and the remaining balance of \$14,755 is presented as refundable advance in the statement of financial position as of August 31, 2020. When the SBA remits the forgiveness amount to the lender to finalize the determination, the amount not forgiven, if any, is required to be repaid.

#### **Note 14. Subsequent Events**

PAL has evaluated its subsequent events (events occurring after August 31, 2020) through May 25, 2021, which represents the date the financial statements were available to be issued.

In February 2021, PAL purchased a property in the amount of \$207,000 for construction of a new PAL center.

In March 2021, PAL applied for the second PPP loan and received the funding in the amount of \$340,040. PAL submitted a request for forgiveness and is awaiting the determination from the SBA regarding forgiveness of the second PPP loan.

On April 21, 2021, PAL received notification from the SBA that the first PPP loan was forgiven in full in the amount of \$308,755 of principal and \$2,885 of accrued interest for a total amount of \$311,640.