

POLICE ATHLETIC LEAGUE, Inc.



Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

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, 2015 AND 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses.....	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-15

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, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Martha Paneth LLP

New York, NY
May 11, 2016



POLICE ATHLETIC LEAGUE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2D and 11A)	\$ 861,002	\$ 1,443,965
Investments (Notes 2E, 3 and 12)	5,217,162	5,395,242
Accounts receivable	12,096	13,690
Contributions receivable, net (Notes 2C, 2H and 6)	445,994	606,239
Due from government agencies (Notes 2I and 5)	3,852,714	2,464,325
Prepaid expenses and other assets	208,943	346,232
Beneficial interest in split-interest agreements (Notes 2F and 13)	97,950	113,328
Property and equipment, net (Notes 2G and 4)	6,338,402	6,415,497
TOTAL ASSETS	\$ 17,034,263	\$ 16,798,518
LIABILITIES		
Accounts payable and accrued expenses (Note 2M)	\$ 2,170,396	\$ 2,622,237
Advances from government agencies (Notes 2I and 8)	2,539,589	2,017,650
Gift annuity payable (Note 2F)	98,609	77,406
TOTAL LIABILITIES	4,808,594	4,717,293
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted	11,098,086	10,712,657
Temporarily restricted (Notes 9 and 13)	842,583	1,108,568
Permanently restricted (Note 13)	285,000	260,000
TOTAL NET ASSETS	12,225,669	12,081,225
TOTAL LIABILITIES AND NET ASSETS	\$ 17,034,263	\$ 16,798,518

POLICE ATHLETIC LEAGUE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	For the Year Ended December 31, 2015				For the Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Support (Note 2C)								
Special events, net of expenses of \$421,639 in 2015 and \$329,617 in 2014	\$ 2,999,203	\$ -	\$ -	\$ 2,999,203	\$ 2,905,166	\$ -	\$ -	\$ 2,905,166
Contributions from foundations and corporations	290,049	644,737	-	934,786	299,626	955,152	-	1,254,778
Contributions from individuals	810,212	670	25,000	835,882	957,314	7,410	-	964,724
Bequests and legacies	33,857	-	-	33,857	31,721	-	-	31,721
Contributed services, rent and other in-kind (Note 2J)	284,103	-	-	284,103	360,555	-	-	360,555
Change in value of split-interest agreements (Note 2F)	-	(35,708)	-	(35,708)	-	(15,929)	-	(15,929)
Net assets released from restrictions (Note 9)	878,256	(878,256)	-	-	1,182,009	(1,182,009)	-	-
Total Support	<u>5,295,680</u>	<u>(268,557)</u>	<u>25,000</u>	<u>5,052,123</u>	<u>5,736,391</u>	<u>(235,376)</u>	<u>-</u>	<u>5,501,015</u>
Revenue								
Government grants (Note 2I)	21,966,890	-	-	21,966,890	19,667,083	-	-	19,667,083
Rental income and fees (Notes 2L and 8)	417,246	-	-	417,246	486,996	-	-	486,996
Investment activity (Note 3)	(12,594)	2,572	-	(10,022)	217,040	7,634	-	224,674
Total Revenue	<u>22,371,542</u>	<u>2,572</u>	<u>-</u>	<u>22,374,114</u>	<u>20,371,119</u>	<u>7,634</u>	<u>-</u>	<u>20,378,753</u>
TOTAL SUPPORT AND REVENUE	<u>27,667,222</u>	<u>(265,985)</u>	<u>25,000</u>	<u>27,426,237</u>	<u>26,107,510</u>	<u>(227,742)</u>	<u>-</u>	<u>25,879,768</u>
EXPENSES								
Program services	24,708,220	-	-	24,708,220	23,312,913	-	-	23,312,913
Management and general	1,358,331	-	-	1,358,331	1,208,385	-	-	1,208,385
Fundraising	1,215,242	-	-	1,215,242	1,282,915	-	-	1,282,915
TOTAL EXPENSES	<u>27,281,793</u>	<u>-</u>	<u>-</u>	<u>27,281,793</u>	<u>25,804,213</u>	<u>-</u>	<u>-</u>	<u>25,804,213</u>
CHANGE IN NET ASSETS	<u>385,429</u>	<u>(265,985)</u>	<u>25,000</u>	<u>144,444</u>	<u>303,297</u>	<u>(227,742)</u>	<u>-</u>	<u>75,555</u>
Net assets - beginning of year	10,712,657	1,108,568	260,000	12,081,225	10,409,360	1,336,310	260,000	12,005,670
NET ASSETS - END OF YEAR	<u>\$ 11,098,086</u>	<u>\$ 842,583</u>	<u>\$ 285,000</u>	<u>\$ 12,225,669</u>	<u>\$ 10,712,657</u>	<u>\$ 1,108,568</u>	<u>\$ 260,000</u>	<u>\$ 12,081,225</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, 2015
(With Comparative Totals for December 31, 2014)

	For the Year Ended December 31, 2015								
	Program Services					Supporting Services			
	Child Care	Center Operations	Sports/ Recreation	Teen Programs	Total Program Services	Management and General	Fundraising	Total 2015	Total 2014
Salaries and wages	\$ 4,056,476	\$ 8,078,363	\$ 682,897	\$ 1,530,562	\$ 14,348,298	\$ 962,833	\$ 419,165	\$ 15,730,296	\$ 14,308,134
Payroll taxes and employee benefits (Note 7)	1,090,496	1,740,331	145,274	395,399	3,371,500	217,444	136,468	3,725,412	3,473,257
Total Salaries and Related Costs	5,146,972	9,818,694	828,171	1,925,961	17,719,798	1,180,277	555,633	19,455,708	17,781,391
Professional and other services	329,763	131,017	135,679	768,415	1,364,874	56,395	125,712	1,546,981	1,457,574
Supplies	265,301	263,919	126,690	122,390	778,300	3,439	9,795	791,534	836,149
Food	367,008	542,177	14,941	32,467	956,593	8,579	7	965,179	968,304
Occupancy costs (Note 10A)	344,951	488,798	50,212	95,348	979,309	900	-	980,209	1,091,841
Travel and conferences	22,168	433,673	5,302	66,529	527,672	9,460	2,271	539,403	574,257
Repairs and maintenance	363,194	289,471	35,679	8,352	696,696	3,863	3,863	704,422	720,050
Staff development	7,892	45,741	-	548	54,181	1,495	-	55,676	46,996
Telephone	66,116	95,732	10,684	22,488	195,020	7,500	8,499	211,019	231,834
Postage and printing	25,666	60,922	2,228	8,962	97,778	26,281	199,162	323,221	359,273
Insurance	134,049	222,066	24,607	65,785	446,507	15,985	5,010	467,502	463,332
Equipment rentals and purchases	26,223	174,337	25,047	51,539	277,146	17,704	40,173	335,023	355,534
Appeals	-	-	-	-	-	-	158,842	158,842	152,998
Bad debts	-	-	-	-	-	259	76,999	77,258	13,542
Depreciation and amortization	-	340,492	-	-	340,492	-	-	340,492	360,309
Contributed services, rent and other in-kind (Note 2J)	255,150	431	-	-	255,581	-	28,523	284,104	360,554
Miscellaneous	315	17,668	128	162	18,273	26,194	753	45,220	30,275
TOTAL EXPENSES	\$ 7,354,768	\$ 12,925,138	\$ 1,259,368	\$ 3,168,946	\$ 24,708,220	\$ 1,358,331	\$ 1,215,242	\$ 27,281,793	\$ 25,804,213

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, 2014**

	For the Year Ended December 31, 2014							
	Program Services					Supporting Services		
	Child Care	Center Operations	Sports/ Recreation	Teen Programs	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 4,045,104	\$ 7,142,030	\$ 757,038	\$ 1,226,605	\$ 13,170,777	\$ 622,767	\$ 514,590	\$ 14,308,134
Payroll taxes and employee benefits (Note 7)	<u>1,089,383</u>	<u>1,491,669</u>	<u>159,123</u>	<u>308,863</u>	<u>3,049,038</u>	<u>264,887</u>	<u>159,332</u>	<u>3,473,257</u>
Total Salaries and Related Costs	5,134,487	8,633,699	916,161	1,535,468	16,219,815	887,654	673,922	17,781,391
Professional and other services	300,129	141,923	181,011	557,709	1,180,772	112,079	164,723	1,457,574
Supplies	278,897	307,438	133,164	105,545	825,044	5,104	6,001	836,149
Food	366,359	560,688	17,061	17,537	961,645	6,641	18	968,304
Occupancy costs (Note 10A)	341,459	667,127	47,603	35,592	1,091,781	60	-	1,091,841
Travel and conferences	20,429	504,991	6,852	29,410	561,682	8,900	3,675	574,257
Repairs and maintenance	478,325	214,891	3,404	6,210	702,830	17,220	-	720,050
Staff development	20,324	24,072	-	-	44,396	2,525	75	46,996
Telephone	83,538	84,928	9,142	30,980	208,588	22,285	961	231,834
Postage and printing	27,089	52,479	11,532	5,930	97,030	34,494	227,749	359,273
Insurance	171,595	205,221	34,886	27,940	439,642	23,690	-	463,332
Equipment rentals and purchases	72,193	138,111	17,729	37,811	265,844	69,212	20,478	355,534
Appeals	-	-	-	-	-	-	152,998	152,998
Bad debts	-	-	-	-	-	13,542	-	13,542
Depreciation and amortization	-	360,309	-	-	360,309	-	-	360,309
Contributed services, rent and other in-kind (Note 2J)	327,361	-	-	-	327,361	2,382	30,811	360,554
Miscellaneous	<u>14,020</u>	<u>11,653</u>	<u>441</u>	<u>60</u>	<u>26,174</u>	<u>2,597</u>	<u>1,504</u>	<u>30,275</u>
TOTAL EXPENSES	<u>\$ 7,636,205</u>	<u>\$ 11,907,530</u>	<u>\$ 1,378,986</u>	<u>\$ 2,390,192</u>	<u>\$ 23,312,913</u>	<u>\$ 1,208,385</u>	<u>\$ 1,282,915</u>	<u>\$ 25,804,213</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, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 144,444	\$ 75,555
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	340,492	360,309
Realized and unrealized loss (gain) on investments	92,637	(109,123)
Change in value of split-interest agreements	35,708	15,929
Bad debt expense	77,258	13,542
Subtotal	690,539	356,212
Changes in operating assets and liabilities:		
Accounts receivable	1,594	9,950
Contributions receivable	82,987	9,440
Due from government agencies	(1,388,389)	(975,713)
Prepaid expenses and other assets	137,289	(117,615)
Accounts payable and accrued expenses	(451,841)	426,250
Gift annuity payable	(14,505)	(24,019)
Advances from government agencies	521,939	286,479
	(420,387)	(29,016)
Net Cash Used in Operating Activities	(420,387)	(29,016)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(131,581)	(871,541)
Proceeds from sale of investments	232,402	776,689
Property and equipment acquisitions	(263,397)	(167,891)
	(162,576)	(262,743)
Net Cash Used in Investing Activities	(162,576)	(262,743)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(582,963)	(291,759)
Cash and cash equivalents - beginning of year	1,443,965	1,735,724
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 861,002	\$ 1,443,965

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

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1914, Police Athletic League, Inc. (“PAL”) is incorporated as a private 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 approximately 30,000 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 six Early Learn centers, PAL’s Child Care programs help children ages 2-6 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 24 afterschool programs and 24 summer day camps. Teen Programming includes job skills training, college preparation, recreation, and crime prevention programs at 18 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 12,000 youth taking part in more than 700 sports teams and 40 Play Streets throughout the city.

These opportunities for learning and developing are supported by the 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.

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

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 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. *Basis of Presentation*

PAL maintains its net assets under the following three classes:

- Unrestricted – represents resources available for support of PAL’s operations over which the Board of Directors has discretionary control.
- Temporarily Restricted – 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted – represents assets that must remain intact in perpetuity.

C. *Contributions and Pledges*

Contributions and pledges are recognized when the donor makes an unconditional promise to give. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 unrestricted or temporarily restricted, in accordance with donor intent.

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 12.

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 temporarily restricted net assets 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 statement 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 uncollectibles 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 debtors, current economic conditions and historical information. As of December 31, 2015 and 2014, PAL recorded an allowance for contributions receivable of \$186,000 and \$157,500, respectively.

I. *Revenue from Government Sources*

Revenue from government agency contracts is recorded as earned pursuant to the terms of the contracts. When authorized expenses or services are not reimbursed in the same time period in which they are incurred, the revenue is reflected as a receivable. Amounts received by PAL under government grants for which PAL has not yet met the conditions are reported as advances from government agencies on the statement of financial position.

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 \$284,103 and \$360,555 for the years ended December 31, 2015 and 2014, 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 statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

L. *Rental Income and Fees*

Rental income and fees consist of rents paid by various organizations for space they lease from PAL. Additionally, it includes camp fees, daycare fees and other fees paid by parents to PAL for daycare programs, summer and holiday camps. 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 expense recorded for the years ended December 31, 2015 and 2014 amounted to approximately \$127,000 and \$122,000, respectively. Straight-lining of rent gives rise to a timing difference that is reflected as accounts payable and accrued expenses in the accompanying statements of financial position.

N. *Reclassifications*

Certain line items in the December 31, 2014 financial statements have been reclassified to conform to the December 31, 2015 presentation.

NOTE 3 – INVESTMENTS

Investments consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash equivalents	\$ 1,005,606	\$ 1,111,937
Common stock	1,040,575	1,086,589
Mutual funds	1,479,242	1,504,756
Corporate and International bonds	1,188,107	1,338,642
Government securities	<u>503,632</u>	<u>353,318</u>
Investments, net	<u>\$ 5,217,162</u>	<u>\$ 5,395,242</u>

Investment activity consisted of the following for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 106,605	\$ 133,186
Realized and unrealized (loss) gain	(92,637)	109,123
Investment fees	<u>(23,990)</u>	<u>(17,635)</u>
Total investment activity	<u>\$ (10,022)</u>	<u>\$ 224,674</u>

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2015 and 2014:

	2015	2014	Estimated Useful Life
Land	\$ 1	\$ 1	
Fine arts	25,000	25,000	
Furniture, fixtures and equipment	765,861	1,570,355	5-10 years
Leasehold improvements	11,681,555	11,939,859	25-40 years
Vehicles	145,213	157,039	5 years
Construction in progress	-	88,074	
Total cost	12,617,630	13,780,328	
Less: accumulated depreciation and amortization	6,279,228	7,364,831	
Net Book Value	\$ 6,338,402	\$ 6,415,497	

Depreciation and amortization expense amounted to \$340,492 and \$360,309 for the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2015, PAL wrote off fully depreciated fixed assets in the amount of \$1,426,095.

The construction in progress is related to renovations at 552 West 52nd Street, William J. Duncan Center building. The renovations were specifically related to the buildings 1st floor for program operations. The project renovations started on December 22, 2014. The cost to complete the project was approximately \$258,500, which was completed on February 24, 2015.

Approximate amortization expenses of leasehold improvements of more than one year are indicated below:

2016	\$	325,000
2017		325,000
2018		320,000
2019		320,000
2020		289,000
		\$ 1,579,000

NOTE 5 – DUE FROM GOVERNMENT AGENCIES

Due from government agencies under grants and contracts consisted of the following as of December 31, 2015 and 2014:

	2015	2014
New York City Office of the Criminal Justice Coordinator	\$ 761,725	\$ 48,894
New York City Department of Youth and Community Development	1,924,610	1,565,217
New York City Administration for Children's Services	369,613	594,842
New York State Department of Education	600,033	167,387
New York City District Attorney's Office	148,191	87,985
Queens District Attorney's Office	48,542	-
	\$ 3,852,714	\$ 2,464,325

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 631,994	\$ 763,739
Less: allowance for doubtful accounts	<u>(186,000)</u>	<u>(157,500)</u>
	<u>\$ 445,994</u>	<u>\$ 606,239</u>

NOTE 7 – PENSION AND OTHER BENEFIT PLANS

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, 2015 and 2014, total employer contributions amounted to approximately \$431,000 and \$369,000. The contribution for the year ended December 31, 2015, was not yet paid as of May 11, 2016.

NOTE 8 – ADVANCES FROM GOVERNMENT AGENCIES

Advances from government agencies consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
New York City Department of Youth and Community Development	\$ 1,284,900	\$ 1,151,209
New York City Administration for Children's Services	690,452	484,504
New York State Department of Education	143,151	82,501
New York City Office of the Criminal Justice Coordinator	252,386	233,636
New York State Child and Adult Care Food Program	55,200	65,800
New York City District Attorney's Office	<u>113,500</u>	<u>-</u>
	<u>\$ 2,539,589</u>	<u>\$ 2,017,650</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Center Operations	\$ 489,903	\$ 634,399
Teen Programming	157,146	156,438
Sports and Recreation	88,084	65,233
Unappropriated earnings	65,502	62,930
Time restricted and other	<u>41,948</u>	<u>189,568</u>
Total temporarily restricted net assets	<u>\$ 842,583</u>	<u>\$ 1,108,568</u>

Temporarily restricted net assets of \$878,256 and \$1,182,009 for the years December 31, 2015 and 2014, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time.

NOTE 10 – 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, 2015 and 2014 amounted approximately to \$527,000 and \$512,000, respectively, and is included in occupancy costs in the accompanying statement of functional expenses.

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2015, and do not take into consideration any renewals, etc., negotiated after year end.

2016	\$ 309,000
2017	318,000
2018	181,000
2019	26,000
2020	26,000
Thereafter	<u>794,000</u>
	<u>\$ 1,654,000</u>

- B.** PAL believes it had no uncertain tax positions as of December 31, 2015 and 2014 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

NOTE 11 – 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 provided deposit insurance coverage of up to \$250,000 on interest-bearing and non-interest bearing accounts. As of December 31, 2015 and 2014, there was approximately \$1,404,000 and \$1,911,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

B. *Concentration of Revenue*

PAL derives a significant portion of its revenue from contractual arrangements with government sources. Such revenue approximated 80% and 76% of total support and revenue for the years ended December 31, 2015 and 2014, respectively. Such revenue is subject to audit and possible adjustment by the various government agencies.

NOTE 12 – 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 lowest priority to Level 3 inputs.

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

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 2 or 3 during the years ended December 31, 2015 and 2014.

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, bonds 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 active market in which the individual securities are traded.

Financial assets carried at fair value at December 31, 2015 and 2014, were classified as Level 1 and were as follows:

	2015	2014
Investments:		
Cash equivalents	\$ 1,005,606	\$ 1,111,937
Common stock	1,040,575	1,086,589
Mutual funds:		
Equity funds	153,331	152,527
Bond funds	1,176,616	1,197,287
International equity funds	149,295	154,942
Total mutual funds	1,479,242	1,504,756
Government securities	503,632	353,318
Corporate bonds	908,799	1,105,207
International bonds	279,308	233,435
Total Investments	\$ 5,217,162	\$ 5,395,242
Gift Annuity Program:		
Money market funds	\$ 281	\$ 2,262
Bond index funds	61,939	68,535
Equity funds	35,730	42,531
Total Gift Annuity	\$ 97,950	\$ 113,328
Total Assets Carried at Fair Value	\$ 5,315,112	\$ 5,508,570

NOTE 13 – ENDOWMENT NET ASSETS

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 temporarily restricted until appropriated.

POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 – ENDOWMENT NET ASSETS (Continued)

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. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or not as unrestricted. All unappropriated earnings on donor-restricted endowment funds after September 17, 2010, that would otherwise be considered unrestricted by the donor, are reflected as temporarily restricted until appropriated. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets 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 retain in perpetuity is to be reported in unrestricted net assets. PAL has not incurred such deficiencies in its endowment funds as of December 31, 2015 and 2014.

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 year ended December 31, 2015, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ 3,669	\$ -	\$ 3,669
Net realized/unrealized loss	<u>(1,097)</u>	<u>-</u>	<u>(1,097)</u>
Total investment activity	2,572	-	2,572
Additions	-	25,000	25,000
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, beginning of year	<u>62,930</u>	<u>260,000</u>	<u>322,930</u>
Endowment net assets, end of year	<u>\$ 65,502</u>	<u>\$ 285,000</u>	<u>\$ 350,502</u>

Changes in endowment net assets for the year ended December 31, 2014, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ 4,464	\$ -	\$ 4,464
Net realized/unrealized gain	<u>3,170</u>	<u>-</u>	<u>3,170</u>
Total investment activity	7,634	-	7,634
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, beginning of year	<u>55,296</u>	<u>260,000</u>	<u>315,296</u>
Endowment net assets, end of year	<u>\$ 62,930</u>	<u>\$ 260,000</u>	<u>\$ 322,930</u>

**POLICE ATHLETIC LEAGUE, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 13 – ENDOWMENT NET ASSETS (Continued)

Endowment net assets of \$350,502 and \$322,930 are included with investments in the accompanying statements of financial position as of December 31, 2015 and 2014, respectively.

NOTE 14 – SUBSEQUENT EVENTS

PAL has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 11, 2016, the date the financial statements were available to be issued.