

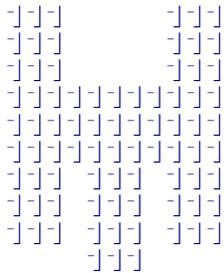
**NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2013
(with comparable totals for 2012)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Association of Police
Athletic/Activities Leagues, Inc.
Jupiter, Florida

We have audited the accompanying financial statements of National Association of Police Athletic/Activities Leagues, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit 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 National Association of Police Athletic/Activities Leagues, Inc. as of December 31, 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, on our consideration of National Association of Police Athletic/Activities Leagues, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Association of Police Athletic/Activities Leagues, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the December 31, 2012 financial statements, and our report dated September 26, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
November 5, 2014

NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2013

(with comparable totals for 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 33,966	\$ 63,237
Investments	46,214	117,992
Accounts receivable	15,427	16,000
Grants receivable	11,291	23,932
Prepaid expenses	<u>8,620</u>	<u>1,260</u>
Total current assets	115,518	222,421
Property and equipment, net	<u>-</u>	<u>650,417</u>
Total assets	<u>\$ 115,518</u>	<u>\$ 872,838</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts payable and accrued expenses	\$ 99,042	\$ 151,813
Deferred revenue	85,705	74,000
Current portion of long-term debt	<u>9,760</u>	<u>27,208</u>
Total current liabilities	194,507	253,021
Long-term debt, net of current portion	<u>69,041</u>	<u>441,110</u>
Total liabilities	<u>263,548</u>	<u>694,131</u>
Net assets (deficit):		
Unrestricted	(148,030)	156,591
Temporarily restricted	<u>-</u>	<u>22,116</u>
Total net assets (deficit)	<u>(148,030)</u>	<u>178,707</u>
Total liabilities and net assets (deficit)	<u>\$ 115,518</u>	<u>\$ 872,838</u>

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

(with comparable totals for 2012)

	Unrestricted	Temporarily Restricted	2013 Totals	2012 Totals
Support and revenue:				
Federal grants	\$ 2,196,247	\$ -	\$ 2,196,247	\$ 5,182,440
Membership dues	137,210	-	137,210	111,159
Conferences and meetings	77,692	-	77,692	70,181
Corporate donations	101,783	-	101,783	161,732
Other contributions	3,556	-	3,556	56,825
Tournaments	14,401	-	14,401	12,492
Interest and dividends	2,930	-	2,930	5,545
Net gain (loss) on investments	(3,450)	-	(3,450)	7,773
In-kind contributions	18,000	-	18,000	28,357
Fundraising - telemarketing	418,762	-	418,762	588,616
Total support and revenue	<u>2,967,131</u>	<u>-</u>	<u>2,967,131</u>	<u>6,225,120</u>
Net assets released from restriction	<u>22,116</u>	<u>(22,116)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services:				
Federal programs	2,205,056	-	2,205,056	5,173,100
Other programs	161,990	-	161,990	325,965
Management and general	382,140	-	382,140	336,771
Fundraising	305,300	-	305,300	475,586
Total expenses	<u>3,054,486</u>	<u>-</u>	<u>3,054,486</u>	<u>6,311,422</u>
Loss on disposal of asset	<u>239,382</u>	<u>-</u>	<u>239,382</u>	<u>-</u>
Change in net assets	(304,621)	(22,116)	(326,737)	(86,302)
Net assets, beginning of year	<u>156,591</u>	<u>22,116</u>	<u>178,707</u>	<u>265,009</u>
Net assets (deficit), end of year	<u>\$ (148,030)</u>	<u>\$ -</u>	<u>\$ (148,030)</u>	<u>\$ 178,707</u>

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

(with comparable totals for 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from support and revenues	\$ 2,974,570	\$ 6,122,606
Cash paid for program services, general and administrative and fundraising costs	(3,058,208)	(6,309,393)
Interest and dividend income	2,930	5,545
Interest paid	<u>(19,874)</u>	<u>(25,526)</u>
Net cash used in operating activities	<u>(100,582)</u>	<u>(206,768)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	70,000	70,000
Purchase of investments	(1,672)	(3,858)
Proceeds from sale of office condo	<u>392,500</u>	<u>-</u>
Net cash provided by investing activities	<u>460,828</u>	<u>66,142</u>
Cash flows from financing activities:		
Principal payments of long-term debt	<u>(389,517)</u>	<u>(25,509)</u>
Net cash used in financing activities	<u>(389,517)</u>	<u>(25,509)</u>
Change in cash and cash equivalents	(29,271)	(166,135)
Cash and cash equivalents, beginning	<u>63,237</u>	<u>229,372</u>
Cash and cash equivalents, ending	<u><u>\$ 33,966</u></u>	<u><u>\$ 63,237</u></u>

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

(with comparable totals for 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ (326,737)	\$ (86,302)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,535	21,480
Loss on disposal of asset	239,382	-
Net (gain) loss on investments	3,450	(7,773)
(Increase) decrease in certain assets:		
Accounts receivable	573	(13,984)
Grants receivable	12,641	7,832
Prepaid expenses	(7,360)	7,648
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(52,771)	(80,982)
Deferred revenue	11,705	(54,687)
	<u>11,705</u>	<u>(54,687)</u>
Net cash used in operating activities	<u>\$ (100,582)</u>	<u>\$ (206,768)</u>

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

(with comparable totals for 2012)

	Program Services		Management and General	Fundraising	2013 Totals	2012 Totals
	Federal	Other				
Program expenses	\$ 1,586,720	\$ 73,900	\$ -	\$ -	\$ 1,660,620	\$ 4,620,484
Personnel costs:						
Salaries	88,507	-	100,670	-	189,177	221,534
Payroll taxes	6,911	-	8,852	-	15,763	19,217
Employee benefits	11,938	-	29,574	-	41,512	52,697
Conferences and meetings	14,978	33,574	-	-	48,552	39,922
Depreciation	-	-	18,535	-	18,535	21,480
Independent contractors	235,146	346	25,695	-	261,187	514,832
Insurance expense	-	-	3,294	-	3,294	2,997
Interest expense	-	-	19,874	-	19,874	25,526
Licenses and permits	-	-	533	3,927	4,460	4,855
Office expenses	18,726	19,817	70,765	4,480	113,788	96,241
Printing and production	267	391	1,766	-	2,424	2,128
Professional fees	20,500	-	79,330	6,960	106,790	139,467
Promotional material	-	7,886	10,342	-	18,228	15,017
Telemarketing commission	-	-	-	289,265	289,265	455,899
Travel	221,363	26,076	12,910	668	261,017	79,126
Total expenses	\$ 2,205,056	\$ 161,990	\$ 382,140	\$ 305,300	\$ 3,054,486	\$ 6,311,422

See accompanying notes to financial statements.

For The Year Ended December 31, 2013

1. **Significant Accounting Policies**

Organization

National Association of Police Athletic/Activities Leagues, Inc. (the Association) is a nonprofit organization incorporated in the State of Florida in October 1985. The Association was formed to assist all member Police Athletic Leagues throughout the United States and its territories in providing a means and method for the exchange of ideas, experiences and information regarding youth problems, their causes and treatment; and to provide methods and procedures necessary to develop a constructive program with a goal toward solving youth problems.

Financial Statement Presentation

The Association has adopted FASB Accounting Standards Codification (FASB ASC) 958-205, *Presentation of Financial Statements*. Under the standard, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows.

Under FASB ASC 958-205, the Association reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets: this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted by class.

Temporarily Restricted Net Assets: this classification includes those net assets whose use by the Association has been limited by donors to either later periods of time, or after specified dates, or for a specified purpose. There were no temporarily restricted net assets as of December 31, 2013.

Permanently Restricted Net Assets: this classification includes those net assets that must be maintained by the Association in perpetuity. Permanently restricted net assets increase when the Association receives contributions for which donor-imposed restrictions limiting the Association's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Association meeting certain requirements. There were no permanently restricted net assets as of December 31, 2013.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

For The Year Ended December 31, 2013

1. **Significant Accounting Policies, continued**

Estimates

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 certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers bank accounts, money market accounts and all highly liquid debt instruments purchased with an original maturity of less than three months, except for those held with its investment portfolio, to be cash equivalents.

Investments

In accordance with FASB ASC 958-320, *Investments – Debt and Equity Securities*, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses of traded securities are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 3 to 39 years. There were no donations of property and equipment during the year ended December 31, 2013.

Contributions

The Association has also adopted FASB ASC 958-605, *Revenue Recognition*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Association receives contributed services from its members in carrying out its program and tournament activities. During the year ended December 31, 2013, the contributed services did not meet the requirements for recognition under FASB ASC 958-605, and therefore no such amounts have been recorded in the financial statements.

The Association also received donated assets, such as materials, supplies and other non-cash donations, which are recorded as contributions at their estimated fair value at the date of donation. The total amount of donated assets during the year ended December 31, 2013, amounted to \$18,000. This amount is recognized as both support, under the caption of in-kind contributions, and expense, as a portion of other program expenses (i.e., tournament expense), during the year.

For The Year Ended December 31, 2013

1. **Significant Accounting Policies, continued**

Support and Revenue

Support and revenue consist mainly of grants from the U.S. Department of Justice, private grants for specific programs, telemarketing, and membership. Support is recognized as an increase in net assets when promised, and revenue is recognized when earned. It is the policy of the Association to record restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions. Grants are recorded as revenue in the year for which the grant was awarded and in which the conditions to the grant are met. Membership period is January 1 through December 31, and dues received in advance are reported as deferred revenue in the Statement of Financial Position and are recognized as income over the ensuing period.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Office expenses include expenditures such as office supplies, postage, rent and telephone.

Income Taxes

At inception, the Association was granted tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. As of September 27, 1995, the Association was granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Association follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Association assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Association uses the prescribed more likely than not threshold when making its assessment. The Association has not accrued any interest expense or penalties related to tax positions and there are no open Federal or State tax years under audit.

For The Year Ended December 31, 2013

1. Significant Accounting Policies, continued

Comparative Financial Statement Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2012, from which the summarized information was derived. Certain 2012 amounts may have been reclassified to conform to 2013 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

2. Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For The Year Ended December 31, 2013

2. Fair Value Measurements, continued

Fair Value of Financial instruments: The following methods and assumptions were used by the Association in estimating fair value of financial instruments that are not disclosed under FASB ASC 820-10.

Cash and equivalents – The carrying amount reported approximates fair value.

Accounts and grants receivable – The carrying amount reported approximates fair value due to the short term duration of the instrument.

Accounts payable and accrued expenses – The carrying amount reported approximates fair value due to the short term duration of the instrument.

Long-term debt – The carrying amount reported approximates fair value as the stated interest rate approximates market rates.

Items Measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by the Association in estimating fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820-10.

Investments:

- *Cash equivalents contained in investments* – Valued according to the market quotation provided by the custodian as of the close of business as of December 31, 2013.
- *Mutual funds* – Valued at net asset value (“NAV”) by the custodian as of the close of business as of December 31, 2013.

The Association's financial assets are measured at fair value according Level 1 of the fair value hierarchy. There have been no changes in the methodologies used as of December 31, 2013.

3. Investments

The Association's investments as of December 31, 2013 consist of the following:

	<u>Historical Cost</u>	<u>Market</u>	<u>Cumulative Unrealized Loss</u>
Cash equivalents	\$ 862	\$ 862	\$ -
Mutual funds	<u>45,979</u>	<u>45,352</u>	<u>(627)</u>
Total	<u>\$ 46,841</u>	<u>\$ 46,214</u>	<u>\$ (627)</u>

For The Year Ended December 31, 2013

3. Investments, continued

Net loss on investments consisted of the following for the year ended December 31, 2013:

Ending balance, unrealized loss	\$ (627)
Less beginning balance, unrealized gain	<u>(1,227)</u>
Total unrealized loss for the year	(1,854)
Total realized loss for the year	<u>(1,596)</u>
Net loss on investments	<u>\$ (3,450)</u>

The mutual funds illustrated above include both equity-based and fixed-income investments, priced according to market quotations. In total, these funds represent a range of investment styles including growth, growth and income, value, and income.

Management evaluates the risk associated with the Association's bank balances and activities, and also periodically evaluates the investment portfolio in light of the Association's objectives and risk tolerance. Management does not believe that the present investment portfolio allocation jeopardizes the operating activities of the Association.

4. Accounts and Grants Receivable

The Association's accounts receivable includes telemarketing receivable and a corporate sponsorship contribution. Grants receivable consist of amounts due from the federal government for reimbursable expenses under various federal programs. Management believes that all receivables as of December 31, 2013, are fully collectible and, therefore, no allowance for uncollectible amounts has been reserved.

5. Property and Equipment

Details of the Association's property and equipment as of December 31, 2013, are as follows:

Furniture and fixtures	\$ 1,200
Equipment	<u>5,955</u>
	7,155
Less accumulated depreciation	<u>7,155</u>
Total property and equipment	<u>\$ -</u>

During the year ended December 31, 2013, the Association sold its office condo for \$392,500. As of the date of the sale, the office condo had a carrying value of \$631,882. As a result of this transaction, the Association recognized a loss on disposal of asset of \$239,382.

For The Year Ended December 31, 2013

6. Long-term Debt

The following schedule describes the Association's installment obligation:

Note payable to BankUnited in monthly installments of \$1,185, including interest at 6.00%, with unpaid principal plus accrued interest due September 23, 2018. Security consists of UCC filing on the Association's furniture, equipment, receivables and related property.	\$ 78,801
Less current portion	<u>9,760</u>
Long-term debt	<u>\$ 69,041</u>

The approximate future maturities of this installment obligation for the years ending December 31, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 9,760
2015	10,362
2016	11,002
2017	11,680
2018	<u>35,997</u>
	<u>\$ 78,801</u>

7. Restrictions on Net Assets

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a temporary restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted net assets released during the year ended December 31, 2013, related to the Association's football program sponsored by the NFL.

8. Leases

The Association subleased its office space in Jupiter, Florida under a lease agreement that commenced on October 1, 2013 and expired on December 31, 2013. The lease required minimum rental of \$1,000 per month.

The Association leases its office space in Jupiter, Florida under a lease agreement expiring December 31, 2015. The lease requires minimum rental of \$1,300 per month for the year ending December 31, 2014 and minimum rental of \$1,500 per month for the year ending December 31, 2015.

The Association leases office equipment under a lease agreement that expires November 30, 2016. The lease requires minimum rental of \$544 per month plus applicable tax.

For The Year Ended December 31, 2013

8. Leases, continued

Total lease expense for the year ended December 31, 2013, amounted to \$12,408 and is part of office expense in the Statement of Functional Expenses.

Future minimum rental payments under these operating leases for the years ending December 31, are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 22,128
2015	24,528
2016	<u>5,440</u>
Total	<u>\$ 52,096</u>

9. Employee Pension Plan

The Association adopted a Simplified Employee Pension Plan (SEP) during 1995. The plan covers all employees who are at least 21 years of age and who receive at least \$300 of compensation during the plan year. The Association has the ability under this plan to determine whether or not a contribution for the participants will be made for any particular year, and if a contribution is made, then IRS regulations require that the amount of the contributions allocated to the participants for any plan year shall not exceed the lesser of \$45,000 or 25 percent of the participants' compensation. The amount contributed to the SEP for the year ended December 31, 2013 was 5% of eligible compensation, or approximately \$9,200.

10. Foundation

During 2010, the Association formed the National Police Athletic Foundation, Inc. (the Foundation), a wholly-owned Florida not-for-profit corporation, created to seek additional sources of support for the programs and overall mission of the Association. As of August 11, 2011, the Foundation was granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization other than a private foundation under Section 509(a)(2). There was no significant activity in the Foundation for 2013.

11. Concentrations

The Association received approximately 74% of its support and revenue from the U.S. Department of Justice for the year ended December 31, 2013. Approximately 72% of the expenditures under the federal awards are passed through to sub-recipients for implementation and administration of the program.

The Association maintains cash balances at both a bank and a brokerage firm. The Federal Deposit Insurance Corporation insures bank deposits up to \$250,000. The Securities Investor Protection Corporation insures amounts at the brokerage firm up to \$500,000. As of December 31, 2013, there were no uninsured deposits held in banks which exceeded the federal limit of \$250,000. The Association limits these concentration risks by maintaining its deposits with financial institutions that management believes to be of high quality.

For The Year Ended December 31, 2013

12. Contingencies

Compliance Audits

Financial awards from federal government, in the form of grants, are subject to special audit. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. Management is not aware of any instances of material noncompliance and does not believe the Association owes any funds with respect to disallowed costs or noncompliance with grantor restrictions. Accordingly, no provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

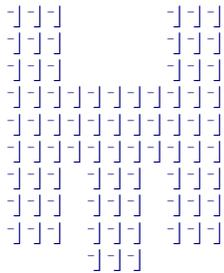
Certain Operating Matters

The Association's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of operations. As indicated in the accompanying financial statements, the Association showed a decrease in net assets of \$326,737, and a decrease in cash of \$29,271 during the year ended June 30, 2013. As of December 31, 2013, the Association's combined current liabilities exceeded its current assets by \$78,989, and the Association has a net deficit of \$148,030.

In response to recent conditions, the Association sold its office condo during the year ended December 31, 2013 to reduce its long-term debt and improve cash flows. Management also cut various non-essential costs, terminated an administrative contract and re-allocated the money and responsibilities to exiting staff, and developed plans to seek more community donations. In addition, management anticipates positive cash flows from its upcoming membership campaign and boxing tournament.

13. Subsequent Events

Management has evaluated subsequent events through November 5, 2014, the date on which the financial statements were available to be issued, and determined there were no events to disclose in these financial statements.



Holyfield & Thomas, LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
National Association of Police
Athletic/Activities Leagues, Inc.
Jupiter, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Association of Police Athletic/Activities Leagues, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Association of Police Athletic/Activities Leagues, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Association of Police Athletic/Activities Leagues, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of National Association of Police Athletic/Activities Leagues, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

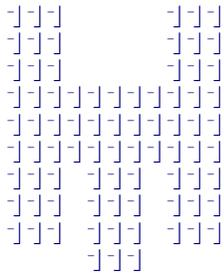
As part of obtaining reasonable assurance about whether National Association of Police Athletic/Activities Leagues, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Association of Police Athletic/Activities Leagues, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
November 5, 2014



Holyfield & Thomas, LLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
National Association of Police
Athletic/Activities Leagues, Inc.
Jupiter, Florida

Report on Compliance for Each Major Federal Program

We have audited National Association of Police Athletic/Activities Leagues, Inc.'s compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of National Association of Police Athletic/Activities Leagues, Inc.'s major federal programs for the year ended December 31, 2013. National Association of Police Athletic/Activities Leagues, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of National Association of Police Athletic/Activities Leagues, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Association of Police Athletic/Activities Leagues, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Association of Police Athletic/Activities Leagues, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, National Association of Police Athletic/Activities Leagues, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of National Association of Police Athletic/Activities Leagues, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Association of Police Athletic/Activities Leagues, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Association of Police Athletic/Activities Leagues, Inc.'s internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
November 5, 2014

For the Year Ended December 31, 2013

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No

Type of auditor’s report issued on compliance on major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Major programs:	U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention
CFDA Number(s)	16.726
Name of Federal Program or Cluster:	Juvenile Mentoring Program

Dollar Threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	Yes

For the Year Ended December 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings reported for the year ended December 31, 2013.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs reported for the year ended December 31, 2013.

CORRECTIVE ACTION PLAN

There is no corrective action plan required, as there are no findings or questioned costs for the year ended December 31, 2013.

PRIOR YEAR FINDINGS

There were no prior audit findings for the year ended December 31, 2012, relative to federal awards requiring action on the part of the auditee for that fiscal year.

MANAGEMENT LETTER

We noted certain matters that we reported to management of National Association of Police Athletic/Activities Leagues, Inc. in a separate letter dated November 5, 2014.

**SUPPLEMENTARY
INFORMATION**

**NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.**

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

For the Year Ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor Grantor/Program or Cluster Title</u>	<u>CFDA Number / Award Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice - Office of Juvenile Justice and Delinquency Prevention		
National PAL Mentoring Program	16.726 / 2010-JU-FX-0025	\$ 395,105
National PAL Mentoring Initiative	16.726 / 2011-JU-FX-0015	1,555,974
National PAL Mentoring Initiative	16.726 / 2013-JU-FX-0024	10,697
New Jersey State PAL Sub-Grant Program	11.555 / 2011-JU-FX-0015	<u>234,471</u>
Total federal expenditures		<u><u>\$ 2,196,247</u></u>

*See auditor's report and accompanying notes to
Schedule of Expenditures of Federal Awards.*

For the Year Ended December 31, 2013

1. Basis of Presentation

This schedule of expenditures of federal awards includes the federal grants received from the U.S. Department of Justice - Office of Juvenile Justice and Delinquency Prevention, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

2. Sub-recipients

Of the federal expenditures presented in this schedule, the National Association of Police Athletic/Activities Leagues, Inc. provided federal awards to PAL Chapter sub-recipients as follows:

<u>Program Title</u>	<u>CFDA No. / Award No.</u>	<u>Amount Provided to Sub-recipients</u>
National PAL Mentoring Initiative	16.726 / 2011-JU-FX-0015	\$ 1,374,255
National PAL Mentoring Initiative	16.726 / 2013-JU-FX-0024	1,148
New Jersey State PAL Sub-Grant Program	11.555 / 2011-JU-FX-0015	<u>211,317</u>
Total amount provided to sub-recipients		<u>\$ 1,586,720</u>

See auditor's report.