

NATIONAL ASSOCIATION OF POLICE
ATHLETIC/ACTIVITIES LEAGUES, INC.

FINANCIAL REPORT

December 31, 2019

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McCANNON • ROGERS • DRISCOLL
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

BENJAMIN P. ALBRIGHT, III, CPA
RANDY G. BOYD, CPA

PARTNERS:

STEPHEN B. DRISCOLL, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Association of Police Athletic/Activities Leagues, Inc.
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of National Association of Police Athletic/Activities Leagues, Inc. (a nonprofit organization) (the Association), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Association'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 Association'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, 2019, 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.

New Accounting Pronouncements

As discussed in Note A, the Association has adopted new accounting pronouncements for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020 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 the internal control over financial reporting or 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.

McLannan, Rogers, Driscoll & Associates, L.L.P.

Gastonia, North Carolina . .
August 27, 2020

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUES, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Cash	\$	595,474
Accounts receivable		28,945
Grants receivable		1,402,081
Prepaid expenses		<u>2,382</u>
Total current assets		2,028,882
Total assets	\$	<u><u>2,028,882</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	1,354,971
Deferred revenue		<u>10,735</u>
Total current liabilities		1,365,706
Net assets without donor restrictions		663,176
Total liabilities and net assets without donor restrictions	\$	<u><u>2,028,882</u></u>

See notes to financial statements.

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2019

Revenue and support:	
Federal grants	\$ 3,128,263
Membership dues	142,818
Conferences, meetings, and tournaments	221,900
Contributions	233,231
Other income	20,667
Fundraising	<u>292,903</u>
Total revenue and support	<u>4,039,782</u>
Expenses:	
Program services:	
Federal programs	3,128,263
Other programs	281,190
Management and general	187,153
Fundraising	<u>162,660</u>
Total expenses	<u>3,759,266</u>
Change in net assets	280,516
Net assets without donor restrictions at beginning of year	<u>382,660</u>
Net assets without donor restrictions at end of year	<u>\$ 663,176</u>

See notes to financial statements.

NATIONAL ASSOCIATION OF POLICE ATHLETIC ACTIVITIES LEAGUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services		Management and General	Fundraising	Total
	Federal	Other			
Program expenses	\$ 14,998	\$ 198,047	\$ -	\$ -	\$ 213,045
Personnel costs:					
Salaries	240,318	-	60,140	-	300,458
Payroll taxes	18,047	-	4,326	-	22,373
Employee benefits	32,846	-	15,568	-	48,414
Subgrants	2,700,000	-	-	-	2,700,000
Independent contractors	95,585	56,500	-	-	152,085
Insurance expense	-	-	1,238	-	1,238
Licenses and permits	-	-	3,786	-	3,786
Office expenses	11,541	-	36,341	-	47,882
Professional fees	7,205	-	62,449	-	69,654
Promotional material	-	-	3,305	-	3,305
Telemarketing	-	-	-	162,660	162,660
Travel	7,723	26,643	-	-	34,366
Total expenses	<u>\$ 3,128,263</u>	<u>\$ 281,190</u>	<u>\$ 187,153</u>	<u>\$ 162,660</u>	<u>\$ 3,759,266</u>
Percentage of total	83.21%	7.48%	4.98%	4.33%	100.00%

See notes to financial statements.

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUES, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	280,516
Adjustments to reconcile change in net assets to net cash from operating activities:		
Changes in assets and liabilities:		
Increase in accounts receivable		(18,528)
Decrease in grants receivable		334,442
Increase in prepaid expenses		(2,382)
Decrease in accounts payable and accrued expenses		(306,011)
Increase in deferred revenue		10,735
		<u>10,735</u>
Net cash provided by operating activities		<u>298,772</u>
Net increase in cash		<u>298,772</u>
Cash:		
Beginning		<u>296,702</u>
Ending	\$	<u><u>595,474</u></u>

See notes to financial statements.

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

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 experience 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.

A summary of the Association's significant accounting policies follows:

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

Under these provisions, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. The Association's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; and those restrictions will be met by actions of the Association or by the passage of time. There are no net assets with donor restrictions at December 31, 2019.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounts Standard Update (ASU) 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This standard provides guidance on how certain cash receipts and payments are presented and classified in the statements of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within those annual periods, and requires a retrospective approach. The Association adopted this standard effective January 1, 2019 and the adoption did not have a material effect on the Association's financial statements for the year ended December 31, 2019.

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2019

Note A - Nature of Activities and Summary of Significant Accounting Policies – continued

New Accounting Pronouncements - continued

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The standard requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents (collectively, restricted cash). Therefore, restricted cash should be included with cash when reconciling the beginning of period and end of period total amounts shown on the statements of cash flows. The new guidance is effective for interim and annual periods beginning after December 15, 2018. The Association adopted this standard effective January 1, 2019 and the adoption did not have a material effect on the Association's financial statements for the year ended December 31, 2019.

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08: *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to assist in determining whether a transaction is a contribution or exchange and for determining when a contribution is conditional. The Association adopted this standard effective January 1, 2019 and the adoption did not have a material effect on the Association's financial statements for the year ended December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a time and/or purpose restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. There were no net assets with donor restrictions for the year ended December 31, 2019.

The Association has accounts receivable consisting of reimbursable subgrantee expenses, professional fundraising revenue, and sponsorship. The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Generally, no finance charges are assessed on accounts receivable.

Grants Receivable

A significant portion of the Association's revenue is obtained through grants from a federal agency. The Association recognizes this revenue over the term of the grant or to the extent of expenses incurred. The method of revenue recognition is determined based on the terms of the grant.

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

Note A - Nature of Activities and Summary of Significant Accounting Policies - Continued

Grants Receivable - continued

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both as a result of the Association's noncompliance with the terms of the grant.

The allowance for doubtful accounts has been evaluated and determined to be immaterial to the financial statements for grants receivable.

Support and Revenue

Support and revenue consist mainly of grants from the U.S. Department of Justice, private grants for specific programs, contributions, dues, and fundraising. 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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses.

Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Program expenses	Direct allocation
Personnel costs	Time and effort
Independent contractors	Direct allocation
Office expenses	Direct allocation
Professional fees	Direct allocation
Travel	Time and effort

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.

The Association has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2019. The Association has tax years ended December 31, 2016, 2017 and 2018 subject to examination by the Internal Revenue Service.

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

Note B - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, compromise the following:

	<u>2019</u>
Cash	\$ 595,474
Accounts receivable	<u>28,945</u>
	<u>\$ 624,419</u>

The Association generally uses these assets for programs and day-to-day operations.

As part the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations that become due.

Note C - Leases

In 2019, the Association entered into two leases for its office space in Charlotte, North Carolina under these lease agreements which expires July 2020. The lease requires minimum rental of \$2,382 per month.

Total lease expense for the year ended December 31, 2019, amounted to \$23,422.

Note D - Concentrations of Cash and Credit Risk

Financial reporting standards require the disclosure of concentrations of cash and credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Association to concentrations of risk consist of cash.

The Association maintains their operating cash accounts in two commercial banks. Accounts at the bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Note E - Major Grants and Subrecipients

One governmental agency provided funding to the Association in the amount of \$3,128,263 or 77% of total revenues and other support for the year ended December 31, 2019. Receivables from the agency were \$1,402,081 at December 31, 2019. Subrecipient grants included in accounts payable and accrued expenses at December 31, 2019 was \$1,321,576. Total subrecipient awards to members for the year ended December 31, 2019 totaled \$2,700,000.

NATIONAL ASSOCIATION OF POLICE ATHLETIC/ACTIVITIES LEAGUES, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

Note F - Accounts Payable and Accrued Expenses

Included in accounts payable and accrued expenses at December 31, 2019 are accounts payable of \$3,646, subgrants payable of \$1,321,576, and other accrued expenses of \$29,749.

Note G - Related Party Transactions

The Organization entered into a subgrant agreement with a member unit of which the Chief Executive Officer of the Organization is the founder of the sub-grantee in the amount of \$38,084 and subgrant payable at December 31, 2019 of \$26,781.

Note H - Subsequent Events

In 2020 there was an outbreak of COVID-19 which has had an overall negative impact on the economy in the United States of America. The effect on the Association has not been determined at this time.

Management has evaluated subsequent events through August 27, 2020 the date on which the financial statements were available to be issued, and determined there were no events to disclose in these financial statements.