# Positive Coaching Alliance

## Financial Statements

August 31, 2019 and 2018

BPM

POSITIVE COACHING ALLIANCE

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# Independent Auditors' Report

To the Board of Directors of
Positive Coaching Alliance
Mountain View, California

We have audited the accompanying financial statements of Positive Coaching Alliance (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, 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 auditors' 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 auditors consider 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 Positive Coaching Alliance as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BPM LLP

San Jose, California
December 17, 2019

# POSITIVE COACHING ALLIANCE
## STATEMENTS OF FINANCIAL POSITION
As of August 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,491,648 | $ 2,905,281 |
| Promises to give, less $16,000 allowance for uncollectible accounts for August 31, 2019 and 2018 | 1,425,213 | 953,416 |
| Accounts receivable and miscellaneous receivables, less $20,000 allowance for doubtful accounts for August 31, 2019 and 2018 | 354,713 | 213,540 |
| Inventory | 6,316 | 5,001 |
| Prepaid expense and other current assets | 136,934 | 131,830 |
| Total current assets | 4,414,824 | 4,209,068 |
| Fixed assets, net of accumulated depreciation | 75,485 | 154,359 |
| Promises to give, noncurrent | 243,000 | 413,500 |
| Beneficial interest in assets held by others | 10,000 | 10,000 |
| Other assets | 41,997 | 46,670 |
| Total assets | $ 4,785,306 | $ 4,833,597 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable | $ 350,682 | $ 298,252 |
| Deferred revenue | 1,065,831 | 879,346 |
| Accrued liabilities | 495,725 | 545,501 |
| Deferred rent | 48,333 | 50,764 |
| Total current liabilities | 1,960,571 | 1,773,863 |
| Net assets: | | |
| Without donor restrictions | 810,102 | 1,017,287 |
| With donor restrictions | 2,014,633 | 2,042,447 |
| Total net assets | 2,824,735 | 3,059,734 |
| Total liabilities and net assets | $ 4,785,306 | $ 4,833,597 |

# POSITIVE COACHING ALLIANCE

## STATEMENTS OF ACTIVITIES

For the years ended August 31, 2019 and 2018

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue: | | | | | | |
| Contributions | $ 2,951,906 | $ 2,557,073 | $ 5,508,979 | $ 2,824,272 | $ 1,933,724 | $ 4,757,996 |
| Special events | 1,891,127 | - | 1,891,127 | 2,265,432 | - | 2,265,432 |
| In-kind revenue | 541,164 | - | 541,164 | 576,234 | - | 576,234 |
| Fees for workshops | 2,683,314 | - | 2,683,314 | 2,649,121 | - | 2,649,121 |
| Other service fees | 169,300 | - | 169,300 | 324,983 | - | 324,983 |
| Merchandise sales | 2,306 | - | 2,306 | 2,703 | - | 2,703 |
| Other revenue | 64,383 | - | 64,383 | 90,739 | - | 90,739 |
| Net assets released from restrictions | 2,584,887 | (2,584,887) | - | 2,705,500 | (2,705,500) | - |
| Total support and revenue | 10,888,387 | (27,814) | 10,860,573 | 11,438,984 | (771,776) | 10,667,208 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Partnership engagement and fulfillment | 5,049,390 | - | 5,049,390 | 4,386,375 | - | 4,386,375 |
| Program expansion and enhancement | 1,657,213 | - | 1,657,213 | 3,393,105 | - | 3,393,105 |
| Total program services | 6,706,603 | - | 6,706,603 | 7,779,480 | - | 7,779,480 |
| Supporting services: | | | | | | |
| Fundraising | 2,121,786 | - | 2,121,786 | 1,793,389 | - | 1,793,389 |
| Management and general | 2,024,600 | - | 2,024,600 | 1,375,819 | - | 1,375,819 |
| Total supporting services | 4,146,386 | - | 4,146,386 | 3,169,208 | - | 3,169,208 |
| Cost of direct benefit to donors | 242,583 | - | 242,583 | 304,022 | - | 304,022 |
| Total expenses | 11,095,572 | - | 11,095,572 | 11,252,710 | - | 11,252,710 |
| Change in net assets | (207,185) | (27,814) | (234,999) | 186,274 | (771,776) | (585,502) |
| Net assets, beginning of year | 1,017,287 | 2,042,447 | 3,059,734 | 831,013 | 2,814,223 | 3,645,236 |
| Net assets, end of year | $ 810,102 | $ 2,014,633 | $ 2,824,735 | $ 1,017,287 | $ 2,042,447 | $ 3,059,734 |

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

# POSITIVE COACHING ALLIANCE

## STATEMENT OF FUNCTIONAL EXPENSES

For the year ended August 31, 2019

| | Program Services | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|
| | Partnership Engagement and Fulfillment | Program Expansion and Enhancement | Program Services | Fundraising | Management and General | Supporting Services | Benefit to Donors | Total Expenses |
| Salaries | $ 2,110,513 | $ 1,102,392 | $ 3,212,905 | $ 974,108 | $ 1,135,132 | $ 2,109,240 | $ - | $ 5,322,145 |
| Benefits | 186,023 | 97,166 | 283,189 | 85,859 | 100,052 | 185,911 | - | 469,100 |
| Payroll taxes | 171,708 | 89,689 | 261,397 | 79,252 | 92,352 | 171,604 | - | 433,001 |
| Total salaries and related expenses | 2,468,244 | 1,289,247 | 3,757,491 | 1,139,219 | 1,327,536 | 2,466,755 | - | 6,224,246 |
| Contract labor | 709,364 | 7,500 | 716,864 | 39,153 | 6,350 | 45,503 | - | 762,367 |
| Administrative fees | 78,451 | 21,415 | 99,866 | 139,711 | 87,397 | 227,108 | - | 326,974 |
| Professional fees | 191,484 | 59,346 | 250,830 | 144,653 | 305,961 | 450,614 | - | 701,444 |
| Insurance | 18,286 | 5,754 | 24,040 | 6,509 | 7,166 | 13,675 | - | 37,715 |
| Marketing | 198,836 | 107 | 198,943 | 102,952 | 5,017 | 107,969 | - | 306,912 |
| Printing and publications | 270,955 | 529 | 271,484 | 31,148 | 4,106 | 35,254 | - | 306,738 |
| Travel and entertainment | 507,072 | 7,332 | 514,404 | 288,667 | 82,403 | 371,070 | 242,583 | 1,128,057 |
| Supplies | 18,438 | 551 | 18,989 | 3,869 | 5,270 | 9,139 | - | 28,128 |
| Postage and shipping | 36,492 | 99 | 36,591 | 2,651 | 10,014 | 12,665 | - | 49,256 |
| Occupancy | 240,031 | 53,202 | 293,233 | 133,120 | 72,754 | 205,874 | - | 499,107 |
| Telephone | 34,010 | 6,113 | 40,123 | 6,986 | 36,654 | 43,640 | - | 83,763 |
| Equipment costs | 169,124 | 12,009 | 181,133 | 76,916 | 66,587 | 143,503 | - | 324,636 |
| Depreciation | 92,344 | 5,509 | 97,853 | 6,232 | 7,089 | 13,321 | - | 111,174 |
| Cost of goods sold | 16,259 | - | 16,259 | - | - | - | - | 16,259 |
| Scholarships and miscellaneous | - | 188,500 | 188,500 | - | 296 | 296 | - | 188,796 |
| Total functional expenses | $ 5,049,390 | $ 1,657,213 | $ 6,706,603 | $ 2,121,786 | $ 2,024,600 | $ 4,146,386 | $ 242,583 | $ 11,095,572 |

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

# POSITIVE COACHING ALLIANCE
## STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2018

| | Program Services | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|
| | Partnership Engagement and Fulfillment | Program Expansion and Enhancement | Total Program Services | Fundraising | Management and General | Total Supporting Services | Cost of Direct Benefit to Donors | Total Expenses |
| Salaries | $ 2,305,905 | $ 1,224,819 | $ 3,530,724 | $ 1,212,508 | $ 857,829 | $ 2,070,337 | $ - | $ 5,601,061 |
| Benefits | 151,349 | 48,056 | 199,405 | 54,217 | 34,920 | 89,137 | - | 288,542 |
| Payroll taxes | 180,966 | 102,209 | 283,175 | 106,845 | 74,270 | 181,115 | - | 464,290 |
| Total salaries and related expenses | 2,638,220 | 1,375,084 | 4,013,304 | 1,373,570 | 967,019 | 2,340,589 | - | 6,353,893 |
| Contract labor | 664,778 | 88,789 | 753,567 | 9,450 | 40 | 9,490 | - | 763,057 |
| Administrative fees | 110,396 | 47,341 | 157,737 | 123,153 | 30,153 | 153,306 | - | 311,043 |
| Professional fees | 22,981 | 371,426 | 394,407 | 22,264 | 184,789 | 207,053 | - | 601,460 |
| Insurance | 16,065 | 7,177 | 23,242 | 6,356 | 4,369 | 10,725 | - | 33,967 |
| Marketing | 22,536 | 308,022 | 330,558 | 26,477 | 547 | 27,024 | - | 357,582 |
| Printing and publications | 205,977 | 88,664 | 294,641 | 14,085 | 103 | 14,188 | - | 308,829 |
| Travel and entertainment | 312,024 | 300,790 | 612,814 | 83,641 | 24,055 | 107,696 | 304,022 | 1,024,532 |
| Supplies | 15,437 | 23,965 | 39,402 | 2,973 | 2,995 | 5,968 | - | 45,370 |
| Postage and shipping | 43,228 | 5,679 | 48,907 | 4,666 | 5,582 | 10,248 | - | 59,155 |
| Occupancy | 178,460 | 242,863 | 421,323 | 79,704 | 54,973 | 134,677 | - | 556,000 |
| Telephone | 50,351 | 22,484 | 72,835 | 10,765 | 7,510 | 18,275 | - | 91,110 |
| Equipment costs | 80,091 | 204,251 | 284,342 | 34,131 | 22,902 | 57,033 | - | 341,375 |
| Depreciation | 9,844 | 56,262 | 66,106 | 2,530 | 68,308 | 70,838 | - | 136,944 |
| Cost of goods sold | 15,458 | 8 | 15,466 | (376) | - | (376) | - | 15,090 |
| Scholarships and miscellaneous | 529 | 250,300 | 250,829 | - | 2,474 | 2,474 | - | 253,303 |
| Total functional expenses | $ 4,386,375 | $ 3,393,105 | $ 7,779,480 | $ 1,793,389 | $ 1,375,819 | $ 3,169,208 | $ 304,022 | $ 11,252,710 |

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

# POSITIVE COACHING ALLIANCE

## STATEMENTS OF CASH FLOWS

For the years ended August 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities: | | |
| Decrease in net assets | $ (234,999) | $ (585,502) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 111,174 | 136,944 |
| Bad debt | (58,319) | (78,319) |
| Loss on sale of equipment | 843 | - |
| (Increase) decrease in: | | |
| Promises to give | (264,462) | 792,852 |
| Accounts receivable and miscellaneous receivables | (119,689) | 83,766 |
| Inventory | (1,315) | 6,097 |
| Prepaid expense and other current assets | (5,104) | (15,996) |
| Other assets | 4,673 | 4,003 |
| Accounts payable | 52,430 | (72,239) |
| Deferred revenue | 186,485 | 24,677 |
| Accrued liabilities | (49,776) | (120,411) |
| Deferred rent | (2,431) | 4,915 |
| Net cash (used in) provided by operating activities | (380,490) | 180,787 |
| Cash flows from investing activities: | | |
| Purchases of equipment | (33,143) | (23,653) |
| Net cash used in investing activities | (33,143) | (23,653) |
| Net (decrease) increase in cash and cash equivalents | (413,633) | 157,134 |
| Cash and cash equivalents, beginning of year | 2,905,281 | 2,748,147 |
| Cash and cash equivalents, end of year | $ 2,491,648 | $ 2,905,281 |

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

## 1. Summary of Significant Accounting Policies

### *Nature of Business*

Positive Coaching Alliance ("PCA") is a nonprofit organization, established in June 1998, whose mission is to transform the culture of youth sports to give all young athletes the opportunity for a positive, character-building experience. Our goal is to develop "Better Athletes, Better People". PCA will accomplish this by:

- replacing the "Win-At-All-Cost" model of coaching with the "Double-Goal Coach®" who wants to win, but has a second, more important, goal of using sports to teach life lessons;
- teaching Youth Sports Organization ("YSO") and school leaders how to create an organizational culture in which "Honoring the Game" is the norm; and
- sparking and fueling a "social movement" of Positive Coaching that will sweep this country.

Through the following two programs, PCA assists the participants in learning ways to transform the culture of youth sports and to provide youth with an opportunity to have a positive and character-building sports experience.

**Partnership Engagement and Fulfillment**

PCA's core Partnership Engagement and Fulfillment program educates and trains the leaders of YSOs and schools to transform youth sports. Once a partnership is forged, PCA teams provide continuous support, workshops and certified trainers to coaches, parents, and students to develop an Honoring the Game organizational culture.

**Program Expansion and Enhancement**

PCA continuously advocates for transforming youth sports. PCA also pursues programmatic initiatives that focus on expanding and enhancing existing programs or developing new programs that further our mission.

### *Basis of Accounting*

The financial statements of PCA are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### *Basis of Presentation*

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, PCA classified its net assets and changes in net assets as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions.

**Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors, and grantors. These include those assets which are subject to a contributor's restriction and for which the applicable restriction was not yet satisfied as of the end of the current reporting period. When restrictions are satisfied in the same accounting period as the receipt of the contribution, PCA reports both the revenue and related expense in the net assets without donor restrictions class.

Continued

**1. Summary of Significant Accounting Policies**, continued

***Cash and Cash Equivalents***

Cash equivalents consist of money market funds with original maturities of 30 days or less.

***Contributions and Promises to Give***

Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional (see Note 4). Promises to give that extend beyond one year are discounted to reflect their net present value at the date of contribution. For the years ended August 31, 2019 and 2018, the discount on promises to give was not recorded as it was insignificant to the financial statements.

***Contributed Materials and Services***

Contributed materials and services (in-kind contributions) are recorded at the fair value of materials and services provided and have been included in revenue and expense or assets, depending on their nature. The donation of services is recorded if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. For the years ended August 31, 2019 and 2018, PCA recognized $337,280 and $205,845 of in-kind materials, respectively. For the years ended August 31, 2019 ad 2018, PCA recognized $203,884 and $370,389 of in-kind services, respectively. These amounts have been reported as both in-kind contribution revenue and expense on the statements of activities.

***Allowance for Uncollectible and Doubtful Accounts – Promises to Give and Accounts Receivable***

PCA provides for an allowance for uncollectible accounts for promises to give and an allowance for doubtful accounts for accounts receivable. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of participants to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is PCA's policy to charge off uncollectible promises to give and doubtful accounts receivable when management determines the receivable will not be collected. The total allowance was $36,000 for the years ended August 31, 2019 and 2018.

***Program Service Fees and Deferred Revenue***

Program service fees represent income from workshops and are recognized as revenue upon the delivery of the workshop. Fees received in advance of the workshop date are recorded as deferred revenue. As of August 31, 2019, PCA entered into contracts totaling $660,000 where services will be performed and payments will be received in subsequent periods. These contracts were reversed out of deferred revenue and accounts receivable for presentation in these statements.

Continued

**1. Summary of Significant Accounting Policies**, continued

### *Inventory*

Inventory consists primarily of Honor The Game banners, buttons and cards relating to PCA's mission. It is stated at the lower of cost, determined on the average cost basis, or market.

### *Fixed Assets*

PCA capitalizes all property and equipment purchases in excess of $1,000. Property and equipment are stated at cost or at fair value on the date of receipt in the case of donated property. Depreciation is computed using the straight-line method over the estimated useful lives of the equipment, which range from three to five years. The cost of maintenance and repairs are expensed as incurred.

### *Fair Value Measurements*

Fair value is defined as 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. PCA classifies its financial assets and liabilities according to the following hierarchy, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value:

*Level 1*–Valuation inputs are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

*Level 2*–Valuation inputs are obtained from readily-available pricing sources for comparable instruments.

*Level 3*–Valuation inputs are obtained without observable market values and require a high level of judgment to determine the fair value.

### *Beneficial Interest*

In connection with an establishment of the endowment fund at The Community Foundation of Tampa Bay ("CFTB"), PCA transferred the endowment fund assets to CFTB to manage as investments and specified itself as the beneficiary. Thus, PCA has a beneficial interest in such endowment fund assets.

A beneficial interest is defined as a future economic benefit of anticipated future cash flows. PCA has a beneficial interest in the endowment fund assets of CFTB. The CFTB measures its beneficial interest at fair value on a recurring basis at each financial statement date; accordingly, PCA reports its beneficial interest in the CFTB endowment fund assets in the statement of financial position and reports a change in its beneficial interest in the statement of activities.

### *Income Taxes*

PCA has been granted tax-exempt status from federal and California taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d), respectively. Accordingly, no provision for income taxes has been included in the accompanying financial statements. However, income from activities not related to PCA's tax-exempt purposes maybe subject to taxation as unrelated business income.

Continued

**1. Summary of Significant Accounting Policies**, continued

***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

***Functional Expense Allocation***

The costs of providing PCA's program and other activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses present natural classification detail of expenses by function. The major functional expense classifications are program services and supporting services. Program services include expenses that are directly related to transforming the culture of youth sports to give all young athletes the opportunity for a positive, character-building experience. Supporting services are all activities of the organization other than program services. Supporting services consist of management and general and fundraising. Management and general includes expenses for general oversight and management of the organization, recordkeeping, and budgeting. Fundraising activities include conducting events, preparing and distributing fundraising materials, and solicitation of contributions from individuals and corporations.

Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated includes salaries, employee benefits and payroll taxes; occupancy; depreciation; insurance; and certain travel and indirect operating expenses. These expenses are allocated on the basis of estimated time and effort by employees.

***Change in Accounting Principles***

During the year ended August 31, 2019, PCA adopted the requirements of the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), required for annual reporting periods beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provide about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added for the first year of adoption and will be presented in subsequent reporting periods (Note 2).

***Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which converges the FASB and the International Accounting Standards Board standards on revenue recognition. The ASU supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Continued

## 1. Summary of Significant Accounting Policies, continued

***Recent Accounting Pronouncements***, continued

The ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. PCA is currently evaluating the impact of the adoption of this ASU on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The accounting for contributions has been modified to clarify distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the standard clarifies when each party directly receives commensurate value in the transaction, and how to deal with third party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2018 for contributions received, and after December 15, 2019 for contributions made with early adoption permitted. PCA is currently evaluating the impact of the adoption of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (842). The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. In November 2019, FASB issued ASU 2019-10, which amends the effective date of the standard for fiscal years beginning after December 15, 2020. PCA is currently evaluating the impact of the adoption of this ASU on its financial statements.

***Reclassification***

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements

## 2. Liquidity and Availability

PCA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. On an annual basis, PCA generates some excess cash after covering all funding needs. The excess cash may be deposited into money market funds to maximize returns while ensuring PCA has access to funds at all times to meet liquidity needs. Excess cash deposited in money market accounts is available within one year. PCA also has a $300,000 line of credit available for liquidity needs (see Note 7).

Continued

## 2. Liquidity and Availability, continued

PCA's financial assets available for general expenditures within one year of the statement of financial position date are as follows as of August 31, 2019:

| | |
|---|---|
| Cash and cash equivalents | $ 2,491,648 |
| Promises to give, net | 1,668,213 |
| Accounts receivable and miscellaneous receivables, net | 354,713 |
| Total financial assets | 4,514,574 |
| Less: amounts not available to be used within one year: | |
| Promises to give, noncurrent | (243,000) |
| Financial assets available to meet general expenditures within one year | $ 4,271,574 |

## 3. Promises to Give

Promises to give are expected to be collected as follows as of August 31:

| | 2019 | 2018 |
|---|---|---|
| Within one year | $ 1,441,213 | $ 969,416 |
| Within two to five years | 243,000 | 413,500 |
| | 1,684,213 | 1,382,916 |
| Less: allowance | (16,000) | (16,000) |
| | $ 1,668,213 | $ 1,366,916 |

## 4. Conditional Promises to Give

PCA does not recognize conditional promises to give as revenue until the conditions on which they depend are substantially met.

Outstanding conditional promises to give for the year ended August 31, 2019 are as follows:

| Grantor | Condition | |
|---|---|---|
| Bruhn-Morris Family Foundation | Seed funding for Washington DC Chapter | $ 25,000 |
| Tom Barnds | Seed funding for Detroit Chapter | 40,000 |
| Miami Dolphins | Seed funding for South Florida Chapter | 75,000 |
| Morgan Family Foundation | Pledge based on achieving match goal | 100,000 |
| | | $ 240,000 |

Continued

## 5. Fair Value Measurement

The following table summarizes PCA's financial assets measured at fair value on a recurring basis as of August 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents- money market | $ 526,343 | $ - | $ - | $ 526,343 |
| Beneficial interest in assets held by others | - | 10,000 | - | 10,000 |
| Total | $ 526,343 | $ 10,000 | $ - | $ 536,343 |

| | 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents- money market | $ 525,052 | $ - | $ - | $ 525,052 |
| Beneficial interest in assets held by others | - | 10,000 | - | 10,000 |
| Total | $ 525,052 | $ 10,000 | $ - | $ 535,052 |

## 6. Fixed Assets

Fixed assets consist of the following as of August 31:

| | 2019 | 2018 |
|---|---|---|
| Computer equipment | $ 379,905 | $ 351,942 |
| Software | 321,089 | 321,089 |
| Office equipment | 71,652 | 73,332 |
| Leasehold improvements | 9,781 | 9,781 |
| Website design | 431,076 | 431,076 |
| | 1,213,503 | 1,187,220 |
| Less: accumulated depreciation | (1,138,018) | (1,032,861) |
| | $ 75,485 | $ 154,359 |

Depreciation expense was $111,174 and $136,944 for the years ended August 31, 2019 and 2018, respectively.

## 7. Line of Credit

PCA has a secured line of credit with a bank of $300,000 with an interest rate of 5.5% and maturity of May 2020. There were no borrowings on the line of credit as of August 31, 2019 or 2018. PCA is in compliance with applicable loan covenants for year ended August 31, 2019 and 2018.

Continued

## 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes for the years ended August 31:

| | 2019 | 2018 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Seed funding (expansion) | $ 636,443 | $ 1,027,699 |
| Workshops | 651,609 | 482,654 |
| Operations and other programming | 716,581 | 522,094 |
| Beneficial interest held in perpetuity | 10,000 | 10,000 |
| Total | $ 2,014,633 | $ 2,042,447 |

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or passage of events specified by the donors as follows for the years ended August 31:

| | 2019 | 2018 |
|---|---|---|
| Satisfaction of purpose restrictions: | | |
| Seed funding (expansion) | $ 951,256 | $ 1,581,002 |
| Workshops | 702,323 | 665,004 |
| Operations and other programming | 931,308 | 459,494 |
| Total | $ 2,584,887 | $ 2,705,500 |

## 9. In-kind Contributions

In-kind contributions for the years ended August 31, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Promotional and special event items | $ 337,280 | $ 205,845 |
| Professional services | 149,470 | 176,930 |
| Online advertising services | 54,414 | 193,459 |
| Total in-kind donations | $ 541,164 | $ 576,234 |

Continued

## 10. Special Events

PCA sponsors special events for fund-raising and program participant recognition. Revenue and direct expenses relating to these events are as follows for August 31:

| | For the Year Ended August 31, 2019 | | | | |
|---|---|---|---|---|---|
| Special Events | Revenue | Cost of Direct Benefit to Donors | Other Direct Expenses | In-Kind Donated Items Donors | Net |
| NYSA Dinner | $ 728,220 | $ (69,300) | $ (245,471) | $ (37,950) | $ 375,499 |
| Arizona | 86,289 | (13,600) | (12,569) | (14,439) | 45,681 |
| Central Texas | 17,766 | (10,863) | (7,230) | (275) | (602) |
| Chicago | 62,950 | (14,150) | (1,442) | (4,646) | 42,712 |
| Cleveland | 6,977 | (2,400) | (106) | - | 4,471 |
| Colorado | 92,110 | (14,600) | (67,612) | (1,630) | 8,268 |
| Hawaii | 62,849 | (15,750) | (21,611) | (26,594) | (1,106) |
| Los Angeles | 98,304 | (9,250) | (14,244) | (13,509) | 61,301 |
| Minnesota | 90,975 | (11,600) | (12,600) | - | 66,775 |
| New England | 103,689 | (15,400) | (81,587) | (8,965) | (2,263) |
| North Texas | 52,525 | (6,400) | (4,259) | (6,541) | 35,325 |
| Portland | 136,593 | (28,750) | (14,463) | (23,152) | 70,228 |
| SF Bay Area | 228,985 | (10,300) | (23,436) | (17,815) | 177,434 |
| Sacramento | 60,905 | (5,100) | (13,936) | (17,129) | 24,740 |
| Tampa Bay | 242,540 | (15,120) | (68,244) | (7,905) | 151,271 |
| Total events | $ 2,071,677 | $ (242,583) | $ (588,810) | $ (180,550) | $ 1,059,734 |

Continued

**10. Special Events**, continued

| | For the Year Ended August 31, 2018 | | | | |
|---|---|---|---|---|---|
| Special Events | Revenue | Cost of Direct Benefit to Donors | Other Direct Expenses | In-Kind Donated Items Donors | Net |
| NYSA Dinner | $ 869,677 | $ (81,250) | $ (252,722) | $ (36,872) | $ 498,833 |
| Arizona | 69,125 | (7,175) | (10,296) | - | 51,654 |
| Central Texas | 22,966 | - | (21,089) | (14,800) | (12,923) |
| Chicago | 49,947 | (12,450) | (8,966) | (6,237) | 22,294 |
| Cleveland | 30,586 | (12,097) | (10,143) | (5,000) | 3,347 |
| Colorado | 13,524 | (4,550) | (13,380) | - | (4,406) |
| Houston | 32,850 | (5,600) | (14,263) | - | 12,987 |
| Los Angeles | 57,465 | (18,975) | 9,920 | (6,615) | 41,795 |
| Minnesota | 101,965 | (16,400) | (5,819) | - | 79,746 |
| New England | 122,588 | (36,940) | (45,442) | (12,038) | 28,168 |
| New York | 271,253 | (23,100) | (27,637) | (23,115) | 197,401 |
| North Texas | 19,500 | (4,875) | (3,697) | - | 10,928 |
| Portland | 129,504 | (11,720) | (36,048) | (28,531) | 53,205 |
| SF Bay Area | 288,209 | (38,179) | (76,602) | (14,057) | 159,371 |
| Sacramento | 3,430 | - | (2,355) | - | 1,075 |
| Seattle | 26,150 | (6,800) | (6,250) | (8,027) | 5,073 |
| Tampa Bay | 311,985 | (23,911) | (63,083) | - | 224,991 |
| Total events | $ 2,420,724 | $ (304,022) | $ (587,872) | $ (155,292) | $ 1,373,538 |

**11. Scholarships**

During the years ended August 31, 2019 and 2018, PCA has identified 137 and 176 winners of the Triple-Impact Competitor® scholarships award for $163,000 and $240,500, respectively. PCA paid the scholarships during the summer of 2019 and 2018, respectively; therefore, no scholarships were included in accrued liabilities as of August 31, 2019.

**12. Employee Benefit Plan**

PCA sponsors a Section 403(b) salary reduction plan (the "Plan") covering substantially all employees. Participation in the Plan is at the employees' discretion. PCA does not currently provide a matching contribution.

Continued

## 13. Commitments and Contingencies

PCA leased office space expiring between December 31, 2019 and June 30, 2024. Future minimum lease payments under these leases are as follows:

| Fiscal year ending August 31: | | |
|---|---|---|
| 2020 | $ | 275,369 |
| 2021 | | 275,816 |
| 2022 | | 201,400 |
| 2023 | | 38,914 |
| 2024 | | 33,235 |
| | $ | 824,734 |

Rental expense was $353,719 and $400,365 for the years ended August 31, 2019 and 2018, respectively.

## 14. Concentration of Credit Risk

### *Cash and Cash Equivalents*

Financial instruments that potentially subject PCA to credit risk in excess of insured limits consist principally of cash and money market mutual funds. Cash is insured by Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per financial institution. Brokerage accounts are insured by the Security Investor Protection Corporation for up to $500,000. Periodically throughout the year, cash is maintained at the bank in excess of the insured (FDIC) amount.

### *Promises to Give*

As of August 31, 2019, two donors accounted for 29% and 12% individually of gross promises to give, all of which were with donor restriction. As of August 31, 2018, two donors accounted for 22% and 10% individually of gross promises to give, all of which were with donor restriction.

## 15. Subsequent Events

PCA evaluated subsequent events for recognition and disclosure through December 17, 2019, the date which these financial statements were available to be issued. Management has concluded that no other material subsequent events have occurred since August 31, 2019 that require recognition or disclosure in these financial statements.