

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION
D/B/A Detroit PAL**
Detroit, Michigan

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2016, 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.

Board of Directors
Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Organization as of December 31, 2015, were audited by other auditors whose report dated July 20, 2016, expressed an unmodified opinion on those statements.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
September 14, 2017

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 107,714	\$ 1,237,052
Accounts receivable, net	116,752	76,208
Interest receivable	7,130	-
Pledges receivable, net of long-term portion	327,213	89,488
Grants receivable	230,341	2,957,190
Prepaid expenses	32,215	22,034
Total Current Assets	821,365	4,381,972
PROPERTY AND EQUIPMENT, NET	3,874,486	98,441
OTHER ASSETS		
Restricted cash	9,945,943	-
Notes receivable	7,516,400	-
Pledges receivable, net of current portion	146,222	72,057
Beneficial interest	25,607	25,130
Total Other Assets	17,634,172	97,187
TOTAL ASSETS	\$ 22,330,023	\$ 4,577,600
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 49,151	\$ -
Accounts payable	1,152,747	36,607
Other payables	3,815	-
Accrued payroll and other expenses	212,400	56,787
Deferred revenue	202,590	10,415
Related party note	200,025	-
Other current liabilities	6,897	-
Total Current Liabilities	1,827,625	103,809
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEBT ISSUANCE COSTS	12,168,619	-
Total Liabilities	13,996,244	103,809
NET ASSETS		
Unrestricted	6,756,728	166,539
Temporarily restricted	1,552,051	4,282,252
Permanently restricted	25,000	25,000
Total Net Assets	8,333,779	4,473,791
TOTAL LIABILITIES AND NET ASSETS	\$ 22,330,023	\$ 4,577,600

See accompanying notes to consolidated financial statements.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
PUBLIC SUPPORT								
Contributions and grants	\$ 3,785,244	\$ 1,884,606	\$ -	\$ 5,669,850	\$ 1,011,629	\$ 4,607,855	\$ -	\$ 5,619,484
In-kind contributions	500,582	-	-	500,582	230,600	-	-	230,600
Special events	1,025,388	-	-	1,025,388	942,836	-	-	942,836
Net assets released from restriction	<u>4,614,807</u>	<u>(4,614,807)</u>	-	-	<u>864,780</u>	<u>(864,780)</u>	-	-
Total Public Support	<u>9,926,021</u>	<u>(2,730,201)</u>	-	<u>7,195,820</u>	<u>3,049,845</u>	<u>3,743,075</u>	-	<u>6,792,920</u>
REVENUE								
Program fees	241,670	-	-	241,670	249,239	-	-	249,239
Interest income	56,516	-	-	56,516	10,003	-	-	10,003
Unrealized investment income (loss)	2,027	-	-	2,027	-	(722)	-	(722)
Other	<u>30,237</u>	-	-	<u>30,237</u>	<u>14,318</u>	-	-	<u>14,318</u>
Total Revenue	<u>330,450</u>	-	-	<u>330,450</u>	<u>273,560</u>	<u>(722)</u>	-	<u>272,838</u>
Total Public Support and Revenue	<u>10,256,471</u>	<u>(2,730,201)</u>	-	<u>7,526,270</u>	<u>3,323,405</u>	<u>3,742,353</u>	-	<u>7,065,758</u>
EXPENSES								
Program services								
Athletic programs	2,242,656	-	-	2,242,656	2,284,669	-	-	2,284,669
Kids at the Corner Redevelopment	<u>701,333</u>	-	-	<u>701,333</u>	<u>112,146</u>	-	-	<u>112,146</u>
Total Program Services	2,943,989	-	-	2,943,989	2,396,815	-	-	2,396,815
Management and general	464,145	-	-	464,145	421,002	-	-	421,002
Fundraising	<u>258,148</u>	-	-	<u>258,148</u>	<u>496,696</u>	-	-	<u>496,696</u>
Total Expenses	<u>3,666,282</u>	-	-	<u>3,666,282</u>	<u>3,314,513</u>	-	-	<u>3,314,513</u>
CHANGE IN NET ASSETS	6,590,189	(2,730,201)	-	3,859,988	8,892	3,742,353	-	3,751,245
NET ASSETS - Beginning of Year	<u>166,539</u>	<u>4,282,252</u>	<u>25,000</u>	<u>4,473,791</u>	<u>157,647</u>	<u>539,899</u>	<u>25,000</u>	<u>722,546</u>
NET ASSETS - END OF YEAR	<u>\$ 6,756,728</u>	<u>\$ 1,552,051</u>	<u>\$ 25,000</u>	<u>\$ 8,333,779</u>	<u>\$ 166,539</u>	<u>\$ 4,282,252</u>	<u>\$ 25,000</u>	<u>\$ 4,473,791</u>

See accompanying notes to consolidated financial statements.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,859,988	\$ 3,751,245
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	42,013	53,841
Net unrealized (gain) loss on beneficial interest	(2,027)	722
Amortization of debt issuance costs included in interest expense	47,909	-
Provision for bad debts	46,286	15,218
Contributions and grants pertaining to Kids at the Corner redevelopment	(1,279,885)	-
Changes in assets and liabilities		
Accounts receivable	(59,027)	128,331
Interest receivable	(7,130)	-
Pledges receivable	(207,876)	(79,242)
Grants receivable	726,849	(2,902,694)
Prepaid expenses	(10,181)	(4,398)
Cash held for fiduciary deposits	-	104,680
Accounts payable	(11,516)	30,051
Fiduciary deposits payable	-	(104,680)
Other payables	3,815	-
Accrued payroll and other expenses	155,613	(57,922)
Deferred revenue	192,175	2,380
Other current liabilities	6,897	-
Net Cash Flows from Operating Activities	3,503,903	937,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,690,402)	(51,218)
Issuance of notes receivable	(7,516,400)	-
Proceeds from disposition of beneficial interest	1,550	1,475
Deposits of restricted cash	(9,945,943)	-
Net Cash Flows from Investing Activities	(20,151,195)	(49,743)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	16,340,000	-
Payment of debt issuance costs	(619,133)	-
Principal payments on long-term debt	(3,600,157)	-
Proceeds from related party note	200,025	-
Cash collections on contributions pertaining to Kids at the Corner redevelopment	148,068	-
Proceeds from grants receivable pertaining to Kids at the Corner redevelopment	3,000,000	-
Line of credit	49,151	-
Net Cash Flows from Financing Activities	15,517,954	-
Net Change in Cash and Cash Equivalents	(1,129,338)	887,789
CASH AND CASH EQUIVALENTS - Beginning of Year	1,237,052	349,263
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 107,714	\$ 1,237,052
Supplemental cash flow disclosures		
Cash paid for interest, including capitalized interest of \$58,810	\$ 170,260	\$ -
Noncash investing and financing activities		
Purchase of fixed assets included in accounts payable	\$ 1,127,656	\$ -

See accompanying notes to consolidated financial statements.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2016

	Athletic Programs	Kids at the Corner Redevelopment	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 760,403	\$ 160,569	\$ 920,972	\$ 321,243	\$ 98,262	\$ 1,340,477
In-kind expenses	204,362	212,470	416,832	-	-	416,832
Facility rental and maintenance	230,714	1,856	232,570	10,396	99,222	342,188
Supplies	195,560	3,930	199,490	7,053	2,870	209,413
Contractual services	472,235	36,250	508,485	55,379	10,000	573,864
Equipment rental and repairs	100,249	1,476	101,725	11,144	8,293	121,162
Insurance	74,058	1,379	75,437	9,435	1,697	86,569
Travel	57,979	2,484	60,463	200	311	60,974
Conferences	21,797	4,285	26,082	853	2,360	29,295
Dues and filing fees	79	-	79	-	39	118
Occupancy and utilities	17,513	301	17,814	1,679	1,042	20,535
Printing and publications	15,171	931	16,102	7,394	7,608	31,104
Bad debt expense	25,000	13,254	38,254	1,971	6,061	46,286
Postage	4,421	23	4,444	1,195	1,902	7,541
Marketing	1,325	105,913	107,238	-	17,606	124,844
Bank Fees	(93)	1	(92)	21,398	121	21,427
Interest	-	119,262	119,262	1,235	-	120,497
Miscellaneous expenses	23,609	36,497	60,106	11,037	-	71,143
Depreciation	38,274	452	38,726	2,533	754	42,013
Total Expenses	<u>\$ 2,242,656</u>	<u>\$ 701,333</u>	<u>\$ 2,943,989</u>	<u>\$ 464,145</u>	<u>\$ 258,148</u>	<u>\$ 3,666,282</u>

See accompanying notes to consolidated financial statements.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2015

	Athletic Programs	Kids at the Corner Redevelopment	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 733,697	\$ 60,562	\$ 794,259	\$ 246,978	\$ 264,259	\$ 1,305,496
In-kind expenses	230,600	-	230,600	-	-	230,600
Facility rental and maintenance	201,762	1,721	203,483	11,927	89,809	305,219
Supplies	184,529	2,857	187,386	4,976	2,605	194,967
Contractual services	536,865	5,000	541,865	4,897	25,281	572,043
Professional fees	21,630	-	21,630	62,752	4,080	88,462
Equipment rental and repairs	90,953	1,799	92,752	23,548	8,917	125,217
Insurance	77,229	1,485	78,714	14,072	4,500	97,286
Travel	74,595	103	74,698	14,292	467	89,457
Conferences	20,920	2,038	22,958	3,469	2,572	28,999
Dues and filing fees	3,293	-	3,293	8,513	100	11,906
Occupancy and utilities	14,885	255	15,140	1,427	709	17,276
Printing and publications	2,923	-	2,923	5,977	7,186	16,086
Bad debt expense	-	-	-	-	15,218	15,218
Postage	5,727	65	5,792	1,034	1,255	8,081
Marketing	4,094	35,000	39,094	37	66,640	105,771
Bank fees	31	3	34	13,418	92	13,544
Miscellaneous expenses	32,535	600	33,135	-	1,909	35,044
Depreciation	48,401	658	49,059	3,685	1,097	53,841
Total Expenses	<u>\$ 2,284,669</u>	<u>\$ 112,146</u>	<u>\$ 2,396,815</u>	<u>\$ 421,002</u>	<u>\$ 496,696</u>	<u>\$ 3,314,513</u>

See accompanying notes to consolidated financial statements.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

Detroit Police Athletic League, Inc. (the "DPAL") is a Michigan non-profit corporation which, in collaboration with the Detroit Police Department and community volunteers, builds character in young people through athletic, academic and leadership development programs.

DPAL helps children achieve their highest potential by putting volunteer role models, trained in youth development principles, in their lives as coaches of their youth sports teams, as well as by providing children with academic support and leadership training to assist them with the transitions to high school and college, and to ensure that they relentlessly set and pursue their goals for the rest of their lives.

Detroit PAL Fundraising Foundation (the "Foundation") (collectively with DPAL, the "Organization") was created in June 2016 to provide philanthropic support for DPAL through solicitation, receipt, administration, and disbursement of charitable contributions for the Kids at the Corner Campaign, which is further described below. In addition, the Foundation worked with DPAL to obtain financing, including the New Market Tax Credits ("NMTC"). The Organization is constructing the new office and sporting facility with the financing. The business affairs of the Foundation are managed by its Board of Directors subject to and in compliance with the Articles of Incorporation and Bylaws.

Athletic Programs

The Organization operates some of the largest urban sports leagues in the nation. These programs serve more than 12,000 children each year. Studies prove that children who participate in a developmentally appropriate youth sports program, like the ones operated by the Organization:

- > Are less likely to become or remain obese
- > Perform better in school, are more likely to attend college, and are less likely to drop out of school or to be truant, and
- > Are less likely to break the law, join gangs, or experiment with alcohol or drugs

The Organization engages in a number of other services designed to support program activities, including:

- > Volunteer training and management
- > Facility maintenance
- > Sports registration data entry
- > Communications

Seasonal sports leagues are currently offered in 12 different sports: baseball, softball, t-ball, flag football, basketball, soccer, tackle football, volleyball, track and field, golf, tennis, and cheerleading.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Academic and Leadership Development

The Organization trains all of its volunteers in appropriate techniques for using sports to teach young people leadership skills and to advocate for academic success.

The volunteer training program, called IMPACT Coaching, was designed by Organization staff and the nationally recognized Institute for the Study of Youth Sports out of Michigan State University. The Organization teaches volunteers to use "huddles" before and after games and find "coachable moments" to transfer lessons learned on the field to lessons about leadership, responsibility, and educational achievement.

Kids at the Corner Redevelopment and Campaign

The Organization has initiated the Kids at the Comer Campaign in an effort to:

- > Expand its programs and organization into more Detroit communities
- > Redevelop the historic Tiger Stadium into a safe and healthy playing field
- > Build a prominent, permanent headquarters and training center for the Organization's 15,000 athletes, their families, and 2,000 volunteers
- > Strengthen community neighborhoods by bridging the city's youths with dedicated public servants
- > Positively influence and develop a new generation of leaders for Detroit, and
- > Provide additional sustainable revenue from tournaments and special event space

The redevelopment plans have been approved by the Detroit Economic Growth Corporation. The Kids at the Corner Campaign has a goal of raising \$20 million to accomplish the above goals.

Management and General

Supporting services consist primarily of administrative functions not directly associated with specific program activities, such as accounting, finance, human resources, and similar functions.

Fundraising

At the direction, and with the support, of the Board of Directors and its officers, two primary types of fundraising initiatives are conducted on behalf of the Organization:

- > Direct solicitations of corporations, foundations, and individuals
- > Special events from which the proceeds are contributed to the Organization

Principles of Presentation

The accompanying consolidated financial statements include the accounts of Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation, a subsidiary of DPAL. Significant intercompany accounts and transactions have been eliminated.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The Organization maintains its cash in bank deposit accounts, which at times throughout the year, may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Restricted Cash

The Organization is required to maintain a separate account for funds relating to the NMTC construction project (the "Project"), which requires lender approval to be released. The Organization is also required to maintain separate accounts for repayment of the loan with Fifth Third Bank and payment of the management fees in accordance with bank requirements.

Pledges Receivable

Unconditional promises to give made to Organization are recorded in the year the pledge is made. Current contributions receivable are expected to be collected during the next year and are recorded at net realizable value. An allowance for uncollectible promises to give is determined based on experience.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restrictions.

Accounts and Grants Receivable

Accounts receivable and grants receivable are from private source grants and fees charged to athletic program participants. Accounts receivable are shown net of an allowance for doubtful accounts of \$27,803 and \$14,021 for the years ended December 31, 2016 and 2015, respectively. Management has determined an allowance for uncollectible grants receivable was not necessary for the years ended December 31, 2016 and 2015, respectively. An allowance for uncollectible accounts receivable and grants receivable is determined based on experience.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Beneficial Interest in Endowment Funds

The Organization is a designated beneficiary of trust funds held by the Community Foundation of Southeastern Michigan (the "Community Foundation"). The Organization's board of directors has interpreted existing law and the agreement with the Community Foundation as requiring the preservation of the fair value of the initial deposit to the Endowment Fund. As a result of this interpretation, the Organization classifies in permanently restricted net assets the original value of the initial deposit to the Endowment Fund. Although the income generated by the Endowment Fund may be used to support the general charitable activities of the Organization, the remaining portion of the Endowment Fund that is not classified in permanently restricted net assets is subject to a time restriction, and, therefore, is classified in temporarily restricted net assets. Any declines in the fair value of the Endowment Fund assets below the original value of the initial deposit are reported in the unrestricted net assets. The fair value of the assets held at the Community Foundation was \$211,139 and \$200,238 at December 31, 2016 and 2015, respectively.

The Community Foundation transfers earnings on the Endowment Fund to the Organization periodically so long as the Organization continues to meet its tax-exempt purpose. The portion of the Endowment Fund that was funded by the Organization, plus net earnings on that balance, represent a reciprocal transfer and are therefore included in the Organization's consolidated financial statements. Distributions received totaled \$1,550 and \$1,475 during the years ended December 31, 2016 and 2015, respectively. The market value of the reciprocal transfer piece of the endowment fund was \$25,607 and \$25,130 at December 31, 2016 and 2015, respectively.

The Organizations's policy is to spend assets from the Endowment Fund as they are distributed by the Community Foundation. The Foundation invests the assets of the Endowment Fund as part of a pooled endowment with similar funds held on behalf of other non-profit organizations. The assets of the Community Foundation's pooled endowment are invested in a manner intended to maximize investment returns over a diversified portfolio in order to achieve a moderate level of investment risk.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$5,000 are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. The Organization reports expiration of donor restrictions when the invoices for assets constructed are paid.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Debt Issuance Costs

As required by Accounting Standards Update ("ASU") No. 2015-03, the Organization presents debt issuance costs as a direct reduction of their long-term debt and related amortization expense as a component of interest expense. Debt issuance costs of \$619,133 have been capitalized and are being amortized over the related debt term. Accumulated amortization of these costs is \$47,909 for the year ended December 31, 2016. There were no capitalized debt issuance costs or related amortization in 2015.

Notes Receivable

Notes receivable are collateralized by membership interests related to the NMTC transaction (see Note 5) and is stated at the principal amount. Payments on the notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. The Organization has one class of financing receivables from a highly credible institution. Management assesses the credit quality of the notes receivable based on indicators such as collateralization, collection experience, and management's internal metrics. As of December 31, 2016, no allowance for loan losses has been recognized. There were no notes receivable at December 31, 2015. Notes receivable are periodically assessed for impairment based on relevant facts and circumstances. Management reviews the collectibility of the notes receivable on an ongoing basis, and no reserve has been established.

Net Assets

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Tax-Exempt Status

Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation have received notifications that they qualify as tax-exempt organizations under Section 501 (c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, are not subject to federal or state income taxes. Net income from activities unrelated to the Organization's tax-exempt purpose is subject to taxation. Taxes on unrelated business income are not material to the consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Revenue Recognition

Contributions, including pledges and grants receivable, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization recognizes program fee revenue when it is realized or realizable and has been earned.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - Organization and Summary of Significant Accounting Policies (cont.)

Donated Services and Facilities

The Organization receives substantial amounts of donated services and use of facilities to help fund its operations and special events. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These donations include advertising, promotional services, athletic field rent, capitalized costs, and other items, which are valued at \$500,582 and \$230,600 for the years ended December 31, 2016 and 2015, respectively. The estimated fair value of these services and facilities is reflected in the accompanying consolidated financial statements.

The Organization also utilizes the services of many volunteers. The services provided do not meet the requirements to be recorded as in-kind revenue and expenses and are, therefore, not recorded in the accompanying consolidated financial statements for 2016 and 2015. The number of hours of service was approximately 252,000 and 218,000 for the years ended December 31, 2016 and 2015, respectively. The Organization estimates that it would pay approximately \$6,090,000 and \$5,871,000 for such services in 2016 and 2015, respectively.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification

For comparability, certain 2015 amounts have been reclassified to conform with classifications adopted in 2016. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated events through September 14, 2017, which is the date the consolidated financial statements were approved and available to be issued.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 2 - Pledges Receivable

Pledges receivable are comprised of the following at December 31, 2016:

	Total	Current Portion	Noncurrent Portion
Receivable in less than one year	\$ 340,201	\$ 340,201	\$ -
Receivable in one to five years	<u>158,833</u>	<u>-</u>	<u>158,833</u>
	499,034	340,201	158,833
Less:			
Allowance for uncollectible accounts	15,591	12,988	2,603
Discount to net present value	<u>10,008</u>	<u>-</u>	<u>10,008</u>
	<u>\$ 473,435</u>	<u>\$ 327,213</u>	<u>\$ 146,222</u>

Pledges receivable are comprised of the following at December 31, 2015:

	Total	Current portion	Noncurrent portion
Receivable in less than one year	\$ 97,002	\$ 97,002	\$ -
Receivable in one to five years	<u>89,841</u>	<u>-</u>	<u>89,841</u>
	186,843	97,002	89,841
Less:			
Allowance for uncollectible accounts	17,715	7,514	10,201
Discount to net present value	<u>7,583</u>	<u>-</u>	<u>7,583</u>
	<u>\$ 161,545</u>	<u>\$ 89,488</u>	<u>\$ 72,057</u>

The discount rate used for both 2016 and 2015 was 3.75%.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 3 - Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives	2016	2015
Computer equipment	3 yrs.	\$ 28,546	\$ 28,546
Furniture and equipment	5 - 7 yrs.	111,657	128,928
Leasehold improvements	3 - 7 yrs.	324,550	800,834
Software	3- 10 yrs.	-	5,610
Vehicles	5 - 6 yrs.	136,977	267,774
Construction in progress	N/A	3,819,071	-
Total		4,420,801	1,231,692
Less: Accumulated depreciation		(546,315)	(1,133,251)
Property and Equipment, Net		\$ 3,874,486	\$ 98,441

Construction in progress relates to the construction project at the Tigers' Stadium site (see Note 5) and is expected to be placed in service in the following fiscal year.

The Organization entered into a transaction whereby a third party transferred the possession of a deed for land (the "land"), within the city of Detroit, subject to terms and conditions of a restated and amended development agreement dated June 16, 2016 (the "Agreement") to the Organization. The Agreement requires the Organization to establish a reserve fund of \$1,000,000 by the date of issuance of a certificate of completion. If the Organization fails to achieve an establishment of such a reserve fund as by the required date defined, a reserve fund reversion clause becomes effective. The reserve fund reversion allows the third party to take back ownership of the land but not the improvements and personal property constructed or purchased thereon by the Organization for no consideration.

The reserve fund reversion also requires a ground lease for the land to be executed on or prior to the closing of the conveyance of the land back to the third party. The Agreement provides for the ground lease between the Organization and the third party for a term of 50 years. Base rent of one dollar annually plus additional rent would be required to be paid by the Organization. The Agreement defines additional rent as all costs, expenses, and obligations of every kind and nature whatsoever relating to the leased premises, or that otherwise relate to the Organization's use and operation of the land whatsoever that may arise during the 50 year term. The Agreement also prevents the Organization from offsetting any costs against either base or additional rent for any reason whatsoever. In addition, the ground lease requires the Organization to pay all costs associated with the reserve fund reversion. Furthermore, the Agreement gives the third party the right to mortgage, encumber, or otherwise pledge the leasehold as collateral.

However, in the event that the reserve fund is established by the Organization, on or by the required date, the third party's right to effect the reserve fund reversion shall terminate. The recording of the certificate of completion with the land records of Wayne County, Michigan by the Organization shall be conclusive evidence of such right.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 3 - Property and Equipment (cont.)

Another provision of the Agreement allows for an exclusive right until January 1, 2018 for the Organization to exercise an option to present a development plan to the third party, subject to their approval, to purchase an additional parcel of land to the one discussed above.

At December 31, 2016 and 2015, the Organization has not recorded land as an asset on the consolidated statements of financial position as conditions of the Agreement have yet to be satisfied.

NOTE 4 - Notes Receivable

Notes receivable obtained as part of the New Market Tax Credit Project (see Note 5) consists of the following at December 31:

	2016	2015
The Foundation:		
Note receivable with original principal of \$2,017,200 due from BOA Investment Fund V, LLC (an unrelated entity), with quarterly interest payments of 1% per annum until June 10, 2023; at which point interest and principal payments will be due annually until maturity on June 16, 2053; collateralized by a security interest in the membership interests of the Community Development Entity (Banc of America CDE V, LLC ("BOA CDE")); loan and regulatory agreement restricts the use of the funds to DPAL, who is a qualified active low-income community business for the term of the note.	\$ 2,017,200	\$ -
Note receivable with original principal of \$5,499,200 due from BOA DPAL Investment Fund, LLC (an unrelated entity), with quarterly interest payments of 1.1891% per annum until June 10, 2023; at which point interest and principal payments will be due annually until maturity on June 16, 2053; collateralized by a security interest in the membership interests of Capfund CDE Nineteen, LLC ("Cinnaire CDE"); loan and regulatory agreement restricts the use of the funds to DPAL, who is a qualified active low-income community business for the term of the note.	5,499,200	-
Total Notes Receivable:	\$ 7,516,400	\$ -

All of the notes receivable above are collateralized by rights to borrower's present and future membership interest in the CDEs.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - New Market Tax Credit Program and Project

The NMTC program was designed to stimulate investment and economic growth in low income communities by offering taxpayers a 39% tax credit against federal income taxes over a seven year period for Qualified Equity Investment ("QEIs") in designated Community Development Entities ("CDEs"). CDEs receive NMTC allocations pursuant to Section 45D of the Internal Revenue Code. These designated CDEs must use substantially all (83%) of the proceeds to make Qualified Low Income Community Investments ("QLICIs"). To earn the tax credit, the QEI must remain invested in the CDE for a seven year period. Also, the entity receiving the loans needs to be treated as a Qualified Active Low Income Community Business ("QALICB") for the duration of the seven year period. The QALICB requirements are outlined in Treasury Regulation Section 1.45D-1(d)(4)(i).

In June 2016, the Organization entered into multiple agreements, assisted by the NMTC program, to facilitate the construction of a new office space and sporting facility at the historic Tigers' Stadium site. The Project is planned to redevelop the historic Tiger Stadium site into a safe and healthy playing field and permanent headquarters for the Organization.

The Foundation obtained a bridge loan from Fifth Third Bank and various contributions to assist in funding the NMTC financing. DPAL also obtained four separate loans from the BOA CDE and the Cinnaire CDE as well as a loan from a board member. (See Notes 6 and 7).

The Foundation used the loans and cash on hand to make two loans to BOA Investment Fund V, LLC and BOA DPAL Investment Fund, LLC (collectively, the "NMTC Investment Funds") (see Note 4). The loans were made for \$2,017,200 and \$5,499,200, respectively. The loans bear interest at 1% and 1.1891% per annum, respectively. Interest only payments are received quarterly through June 2023. Principal and interest are due quarterly beginning July 2023 and continue thereafter until maturity, June 2053. The loans are secured by an interest in the borrower's ownership of the BOA CDE and Cinnaire CDE, respectively. Total interest earned in 2016 was \$46,347 and accrued interest was \$7,130 at December 31, 2016.

The proceeds from the loan to the NMTC Investment Funds, combined with equity contributions from other private investors, were passed through to the BOA CDE and the Cinnaire CDE. The CDEs used the equity contributions and loan proceeds to make loans to DPAL as the QALICB, totaling \$10,840,000 ("QLICI Loans") to finance redevelopment of the historic Tigers Stadium site. Each CDE made two notes to DPAL. The notes are interest only through June 2023, with principal and interest payable annually commencing July 2023 through June 2053. The details of these notes payable are disclosed in Note 6. As a condition of the agreements, the CDE's require that the Foundation guarantee the payment of the notes and certain performance requirements. The guarantee is in effect until maturity of the loans.

The transaction is subject to a put/call option. The NMTC Investment Funds have a put option whereby upon exercise of the option after the last day of the tax credit investment period, the Foundation is obligated to purchase the NMTC Investment Funds' 100% membership interest in the the BOA CDE and the Cinnaire CDE. At the end of the seven year tax credit investment period, the Foundation has a call option whereby if exercised, they have the right to purchase NMTC Investment Funds' 100% membership interest in the BOA CDE and Cinnaire CDE at fair value.

The tax credits associated with the transaction are contingent on the Organization maintaining compliance with applicable portions of Section 42 of the Internal Revenue Code. Failure to maintain compliance or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus penalties and interest. As of December 31, 2016, no such events have occurred.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - Long-Term Debt

Long-term debt consists of the following at December 31:

	2016	2015
DPAL		
BOA CDE Loan A1 with an original principal of \$2,017,200: Bearing interest at 1% per annum; interest only payments due quarterly until June 2023; at which point interest and principal payments will be due quarterly until maturity on June 16, 2053.	\$ 2,017,200	\$ -
Cinnaire CDE Loan A2 with an original principal of \$5,499,200: Bearing interest at 1% per annum; interest only payments due quarterly until June 2023; at which point interest and principal payments will be due quarterly until maturity on June 16, 2053.	5,499,200	-
BOA CDE Loan B1 with an original principal of \$982,800: Bearing interest at 1.0175% per annum; interest only payments due quarterly until June 2023; at which point interest and principal payments will be due quarterly until maturity on June 16, 2053.	982,800	-
Cinnaire CDE Loan B2 with an original principal of \$2,340,800: Bearing interest at 1% per annum; interest only payments due quarterly until June 2023; at which point interest and principal payments will be due quarterly until maturity on June 16, 2053.	2,340,800	-
DPAL Total	\$ 10,840,000	\$ -

All loans payable above are collateralized by a mortgage conveying and encumbering certain real and personal property of the Kids at the Corner redevelopment. The loans cannot be prepaid until June 2023. Each lender has the option to call the above loans within 120 days prior to the seventh anniversary of the loan to accelerate the maturity date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - Long Term Debt (cont.)

	2016	2015
Foundation		
Fifth Third bridge loan (original principal of \$5,000,000): Bearing interest at thirty day LIBOR plus 3% (effective rate 3.625%) per annum; collateralized by certain pledges, bank accounts, software, and intangibles as specified in the loan agreements. The loan stipulates payments of principal and interest are to be paid from the cash then on deposit in the primary pledged account. Loan can be prepaid without penalty or premium. The loan matures June 16, 2021.	<u>\$ 1,899,843</u>	<u>\$ -</u>

The above bridge loan is secured by DPAL's major grants, all property in possession of Fifth Third, a separate cash account to repay the above loan, all general intangibles, all books and records, and all property, rights, products or proceeds resulting from any sale or exchange thereof.

The Organization's total debt is summarized below at December 31:

	2016	2015
DPAL Total	\$ 10,840,000	\$ -
Foundation Total	<u>1,899,843</u>	<u>-</u>
Organization Total	12,739,843	-
Less: Debt issuance costs, net	<u>571,224</u>	<u>-</u>
Long-Term Portion	<u>\$ 12,168,619</u>	<u>\$ -</u>

Total interest expense on all debt was \$120,497 and \$0 for the years ended December 31, 2016 and 2015, respectively.

The Organization is subject to certain requirements and covenants related to their debt. As of December 31, 2016, the Organization was in compliance with all established covenants or has obtained waivers.

NOTE 7 - Related Parties

During 2016, the Foundation received a loan of \$200,025 from a board member to assist in funding and serve as collateral for the NMTC financing transaction. The loan bears interest at a rate of 0.77% per annum and is callable on demand.

For the year ended December 31, 2016, contributions from the board of directors to the Organization was approximately \$105,000.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - Line of Credit

Detroit PAL has a \$50,000 line of credit as of December 31, 2016 and 2015, which bears interest at 0.25% above the prime rate. (The effective rate as of December 31, 2016 was 4.0%.) Total amounts outstanding on the line of credit at December 31, 2016 and 2015 was \$49,151 and \$0, respectively.

NOTE 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and/or periods as of December 31:

	<u>2016</u>	<u>2015</u>
Purpose restrictions:		
Kids at the Corner Campaign	\$ 1,079,885	\$ 3,646,492
Youth sports programs	195,148	302,000
Programming for Skillman - Designed Neighborhoods	274,214	239,401
Other purpose restrictions	2,804	94,229
Time restrictions:		
Pledges receivable	<u>-</u>	<u>130</u>
Total	<u>\$ 1,552,051</u>	<u>\$ 4,282,252</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2016</u>	<u>2015</u>
Purpose restrictions:		
Kids at the Corner Campaign	\$ 3,846,493	\$ 108,027
Youth sports programs	506,573	520,825
Programming for Skillman - Designed Neighborhoods	165,187	95,285
Acquisition of new van	-	50,000
Other programs	<u>96,554</u>	<u>89,168</u>
	4,614,807	863,305
Other time restrictions	<u>-</u>	<u>1,475</u>
Total	<u>\$ 4,614,807</u>	<u>\$ 864,780</u>

NOTE 10 - Leases

The Organization entered into lease agreements for office facilities scheduled to expire December 31, 2017. The Organization has required lease payments of \$51,815 in 2017. Rental expense under all leases, including all office leases and programming, was \$271,934 and \$238,515 for the years ended December 31, 2016 and 2015, respectively.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 11 - Defined Contribution Plan

The Organization has a profit-sharing plan under section 401(k) of the Internal Revenue Code. Eligible employees of the Organization may elect to make contributions upon meeting eligibility requirements. The Organization may make discretionary matching contributions and contributed \$57,832 and \$39,683 to the plan during the years ended December 31, 2016 and 2015, respectively.

NOTE 12 - Fair Value of Financial Instruments

The Organization follows current authoritative guidance, which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The guidance applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are unobservable and not corroborated by market data.

There have been no changes in the methodology used for the years ended December 31, 2016 and 2015.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 12 - Fair Value of Financial Instruments (cont.)

The table below presents information about the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2016 based upon the three-tier hierarchy:

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Beneficial Interest	\$ 25,607	\$ -	\$ -	\$ 25,607

The table below presents information about Organization's assets that are measured at fair value on a recurring basis as of December 31, 2015 based upon the three-tier hierarchy:

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Beneficial Interest	\$ 25,130	\$ -	\$ -	\$ 25,130

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Balance at January 1	\$ 25,130	\$ 27,327
Grants paid to Detroit PAL	(1,276)	(1,255)
Administrative expenses	(274)	(220)
Net realized and unrealized gains/(losses)	2,027	(722)
Balance at December 31	\$ 25,607	\$ 25,130

NOTE 13 - Commitments

The Organization has engaged with a related party of the Organization to manage construction of the Kids at the Corner redevelopment. The agreement states that the construction manager's fee is to be 2.25% of the cost of the work. The guaranteed maximum price was stated at \$10,300,000 which is subject to change order. At December 31, 2016, approximately \$7,500,000 was remaining on the contract with approximately \$976,000 within accounts payable on the Consolidated Statement of Financial Position.

During February 2017, the Organization engaged in an agreement with an entity to act as Owner's Representative for the purpose of project management, assessing feasibility of value engineering options, managing the design and project scope alternatives and the construction process for the Kids at the Corner redevelopment for total fees up to approximately \$193,000.

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *"Revenue from Contracts with Customers"*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU Nos. 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, *"Leases"*. ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on their results of operations, financial position and cash flows.

The FASB has issued ASU 2016-14, *"Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities."* ASU 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of ASU 2016-14 on the Organization's consolidated financial statements.

In November 2016 FASB issued ASU No. 2016-18 *"Restricted Cash"*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim period within fiscal years beginning after December 15, 2019, and should be applied on a retrospective transition basis. Early adoption is permitted. The Organization is currently evaluating the effect that ASU No. 2016-18 will have on its operations, financial position and cash flows.

SUPPLEMENTAL INFORMATION

**DETROIT POLICE ATHLETIC LEAGUE, INC. AND
DETROIT PAL FUNDRAISING FOUNDATION**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of December 31, 2016

	<u>DPAL</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 107,714	\$ -	\$ -	\$ 107,714
Accounts receivable, net	116,752	-	-	116,752
Interest receivable	-	7,130	-	7,130
Pledges receivable, net of long-term portion	35,764	291,449	-	327,213
Grants receivable	230,341	-	-	230,341
Prepaid expenses	<u>30,170</u>	<u>2,045</u>	-	<u>32,215</u>
Total Current Assets	<u>520,741</u>	<u>300,624</u>	-	<u>821,365</u>
PROPERTY AND EQUIPMENT, NET	<u>3,874,486</u>	-	-	<u>3,874,486</u>
OTHER ASSETS				
Restricted cash	9,699,399	246,544	-	9,945,943
Notes receivable	-	7,516,400	-	7,516,400
Pledges receivable, net of current portion	-	146,222	-	146,222
Beneficial interest	<u>25,607</u>	-	-	<u>25,607</u>
Total Other Assets	<u>9,725,006</u>	<u>7,909,166</u>	-	<u>17,634,172</u>
TOTAL ASSETS	<u>\$ 14,120,233</u>	<u>\$ 8,209,790</u>	<u>\$ -</u>	<u>\$ 22,330,023</u>
CURRENT LIABILITIES				
Line of credit	\$ 49,151	\$ -	\$ -	\$ 49,151
Accounts payable	1,142,777	9,970	-	1,152,747
Other payables	3,815	-	-	3,815
Accrued payroll and other expenses	212,400	-	-	212,400
Deferred revenue	2,590	200,000	-	202,590
Related party note	-	200,025	-	200,025
Other current liabilities	<u>6,897</u>	-	-	<u>6,897</u>
Total Current Liabilities	<u>1,417,630</u>	<u>409,995</u>	-	<u>1,827,625</u>
LONG-TERM DEBT, NET OF CURRENT PORTION AND DEBT ISSUANCE COSTS	<u>10,268,776</u>	<u>1,899,843</u>	-	<u>12,168,619</u>
Total Liabilities	<u>11,686,406</u>	<u>2,309,838</u>	-	<u>13,996,244</u>
NET ASSETS (DEFICIT)				
Unrestricted	(2,952,896)	4,498,595	5,211,029	6,756,728
Temporarily restricted	5,361,723	1,401,357	(5,211,029)	1,552,051
Permanently restricted	<u>25,000</u>	-	-	<u>25,000</u>
Total Net Assets	<u>2,433,827</u>	<u>5,899,952</u>	-	<u>8,333,779</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,120,233</u>	<u>\$ 8,209,790</u>	<u>\$ -</u>	<u>\$ 22,330,023</u>

DETROIT POLICE ATHLETIC LEAGUE, INC. AND DETROIT PAL FUNDRAISING FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

	DPAL	Foundation	Total Consolidated Before Eliminations	Eliminations	Total Consolidated
CHANGE IN UNRESTRICTED NET ASSETS PUBLIC SUPPORT					
Contributions and grants	\$ 1,288,577	\$ 2,754,374	\$ 4,042,951	\$ (257,707)	\$ 3,785,244
In-kind contributions	416,832	83,750	500,582	-	500,582
Special events	1,025,388	-	1,025,388	-	1,025,388
Net assets released from restrictions	<u>833,800</u>	<u>3,781,007</u>	<u>4,614,807</u>	<u>-</u>	<u>4,614,807</u>
Total Public Support	<u>3,564,597</u>	<u>6,619,131</u>	<u>10,183,728</u>	<u>(257,707)</u>	<u>9,926,021</u>
REVENUE					
Program fees	241,670	-	241,670	-	241,670
Interest income	10,169	46,347	56,516	-	56,516
Unrealized investment income	2,027	-	2,027	-	2,027
Other	<u>30,237</u>	<u>-</u>	<u>30,237</u>	<u>-</u>	<u>30,237</u>
Total Revenue	<u>284,103</u>	<u>46,347</u>	<u>330,450</u>	<u>-</u>	<u>330,450</u>
Total Public Support and Revenue	<u>3,848,700</u>	<u>6,665,478</u>	<u>10,514,178</u>	<u>(257,707)</u>	<u>10,256,471</u>
EXPENSES					
Program Services					
Athletic programs	2,242,656	-	2,242,656	-	2,242,656
Kids at the Corner Campaign	<u>4,003,186</u>	<u>2,166,883</u>	<u>6,170,069</u>	<u>(5,468,736)</u>	<u>701,333</u>
Total Program Services	6,245,842	2,166,883	8,412,725	(5,468,736)	2,943,989
Management and general	464,145	-	464,145	-	464,145
Fundraising	<u>258,148</u>	<u>-</u>	<u>258,148</u>	<u>-</u>	<u>258,148</u>
Total Expenses	<u>6,968,135</u>	<u>2,166,883</u>	<u>9,135,018</u>	<u>(5,468,736)</u>	<u>3,666,282</u>
Change in unrestricted net assets	<u>(3,119,435)</u>	<u>4,498,595</u>	<u>1,379,160</u>	<u>5,211,029</u>	<u>6,590,189</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions and grants	3,830,296	3,265,339	7,095,635	(5,211,029)	1,884,606
Net releases from restrictions	<u>(2,750,825)</u>	<u>(1,863,982)</u>	<u>(4,614,807)</u>	<u>-</u>	<u>(4,614,807)</u>
Change in temporarily restricted net assets	<u>1,079,471</u>	<u>1,401,357</u>	<u>2,480,828</u>	<u>(5,211,029)</u>	<u>(2,730,201)</u>
CHANGE IN NET ASSETS	<u>(2,039,964)</u>	<u>5,899,952</u>	<u>3,859,988</u>	<u>-</u>	<u>3,859,988</u>
NET ASSETS - Beginning of Year	<u>4,473,791</u>	<u>-</u>	<u>4,473,791</u>	<u>-</u>	<u>4,473,791</u>
NET ASSETS - END OF YEAR	<u>\$ 2,433,827</u>	<u>\$ 5,899,952</u>	<u>\$ 8,333,779</u>	<u>\$ -</u>	<u>\$ 8,333,779</u>