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Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation

Consolidated Financial Statements
with Supplementary Information

December 31, 2022

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information 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 US, LLP

Southfield, Michigan
July 24, 2024

Consolidated Statement of Financial Position
December 31, 2022

Assets

Current Assets	
Cash and cash equivalents	$ 527,364
Accounts receivable, net	4,270
Interest receivable	5,043
Pledges receivable, net	400,000
Grants receivable	410,146
Prepaid expenses	11,823
Total current assets	1,358,646
Property and Equipment, Net	14,679,818
Other Assets	
Restricted cash	153,880
Notes receivable	7,516,400
Beneficial interest	27,948
Total other assets	7,698,228
Total assets	$ 23,736,692

Liabilities and Net Assets

Current Liabilities	
Line of credit	$ 27,514
Current maturities of long term debt	485,595
Accounts payable	104,321
Accrued payroll and other expenses	131,476
Deferred revenue	5,768
Total current liabilities	754,674
Long-Term Debt, Net of Debt Issuance Costs	10,859,478
Total liabilities	11,614,152
Net Assets	
Without donor restrictions	11,208,321
With donor restrictions	914,219
Total net assets	12,122,540
Total liabilities and net assets	$ 23,736,692

Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation

Consolidated Statement of Activities
Year Ended December 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public Support			
Contributions and grants	$ 2,615,468	$ 914,219	$ 3,529,687
In-kind contributions	485,215	-	485,215
Special events	82,735	-	82,735
Net assets released from restriction	73,643	(73,643)	-
Total public support	3,257,061	840,576	4,097,637
Revenue			
Program fees	175,638	-	175,638
Interest income	97,083	-	97,083
Rental income	245,206	-	245,206
Other	29,860	-	29,860
Total revenue	547,787	-	547,787
Total public support and revenue	3,804,848	840,576	4,645,424
Expenses			
Program services			
Athletic programs	1,293,119	-	1,293,119
Education and leadership programs	471,923	-	471,923
Kids at the Corner Redevelopment	341,795	-	341,795
Total program services	2,106,837	-	2,106,837
Management and general	1,428,413	-	1,428,413
Event and sales management	285,074	-	285,074
Fundraising	556,612	-	556,612
Total expenses	4,376,936	-	4,376,936
Change in net assets	(572,088)	840,576	268,488
Net Assets, Beginning	11,780,409	73,643	11,854,052
Net Assets, Ending	$ 11,208,321	$ 914,219	$ 12,122,540

See notes to consolidated financial statements

Cash Flows from Operating Activities	
Change in Net Assets	$ 268,488
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	540,575
Net unrealized loss on beneficial interest	849
Amortization of debt issuance costs	94,997
Write-off of bad debts for accounts receivable	34,615
PPP debt forgiveness	(362,635)
Changes in assets and liabilities:	
Accounts receivable	(4,970)
Interest receivable	2,087
Pledges receivable	(291,068)
Grants receivable	(310,146)
Prepaid expenses	(11,412)
Accounts payable	48,713
Accrued payroll and other expenses	62,521
Deferred revenue	(2,185)
Net cash flows from operating activities	70,429
Cash Flows from Investing Activities	
Purchase of property and equipment	(285,364)
Net cash flows from investing activities	(285,364)
Cash Flows from Financing Activities	
Payments on line of credit, net	(4,782)
Principal payments on debt	(426,967)
Net cash flows from financing activities	(431,749)
Net change in cash and cash equivalents and restricted cash	(646,684)
Total Cash and Cash Equivalents and Restricted Cash, Beginning	1,327,928
Total Cash and Cash Equivalents and Restricted Cash, Ending	$ 681,244
Total Cash and Cash Equivalents	
Cash and cash equivalents	$ 527,364
Restricted cash	153,880
Ending cash and cash equivalents and restricted cash	$ 681,244
Supplemental Cash Flow Disclosures	
Cash paid for interest	$ 210,676

See notes to consolidated financial statements

Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Athletic Programs	Education and Leadership Programs	Kids at the Corner Redevelopment	Total Program	Management and General	Event and Sales Management	Fundraising	Total
Salaries, benefits and taxes	$ 313,204	$ 218,684	$ -	$ 531,888	$ 521,004	$ 56,998	$ 322,226	$ 1,432,116
Supplies	134,681	44,207	-	178,888	31,032	2,306	33,094	245,320
Professional services	261,325	81,134	18,954	361,413	325,649	112,266	58,320	857,648
Repairs and maintenance	46,466	734	-	47,200	95,177	288	1,238	143,903
Insurance	23,994	9,306	5,996	39,296	34,454	5,834	10,586	90,170
Travel and meetings	97,417	14,739	-	112,156	5,921	253	2,280	120,610
Licenses and permits	22,889	8,877	5,720	37,486	32,867	5,565	10,098	86,016
Occupancy and utilities	109,715	23,486	2,836	136,037	74,327	28,018	26,693	265,075
Marketing and advertising	-	-	-	-	52,704	-	2,351	55,055
Interest and fees	2,444	538	207,705	210,687	22,559	3,129	8,041	244,416
Miscellaneous	56,290	22,114	14,072	92,476	72,373	12,062	24,124	201,035
Depreciation	223,744	47,895	5,784	277,423	151,577	57,139	54,436	540,575
Amortization	950	209	80,728	81,887	8,769	1,216	3,125	94,997
Total expenses	$ 1,293,119	$ 471,923	$ 341,795	$ 2,106,837	$ 1,428,413	$ 285,074	$ 556,612	$ 4,376,936

1. Organization and Summary of Significant Accounting Policies

Nature of Activities

Detroit Police Athletic League, Inc. (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. In addition, the Foundation worked with DPAL to obtain financing, including the New Market Tax Credits (NMTC). The Organization constructed 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 14,000 children each year. 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.

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

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

The Organization has initiated the Kids at the Comer Redevelopment 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 14,000 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

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. The Organization also allocates management and general expenses related to event and sales management separately.

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 DPAL and the Foundation. Significant intercompany accounts and transactions have been eliminated. The financial statements are prepared using accounting principles generally accepted in the United States (U.S. GAAP) using the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Cash and Cash Equivalents

The Organization defines 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 pledges receivable are expected to be collected during the next year and are recorded at net realizable value. An allowance for uncollectible pledges receivable is determined based on experience. No allowance was considered necessary at December 31, 2022.

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 net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions 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 recorded at net realizable value when the amounts are due in accordance with contracts with customers, historical payment information and the customers current ability to pay its obligation to the Organization. Management has determined an allowance for uncollectible grants receivable was not necessary for the year ended December 31, 2022. An allowance for uncollectible grants receivable is determined based on experience.

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 Community Foundation transfers earnings on the funds to the Organization periodically so long as the Organization continues to meet its tax-exempt purpose. The portion of the funds 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. The market value of the reciprocal transfer piece of the endowment fund was $27,948 at December 31, 2022.

The Organizations's policy is to spend assets from the funds as they are distributed by the Community Foundation. The Community Foundation invests the assets of the funds 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.

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 $658,428 have been capitalized and are being amortized over the related debt term. Accumulated amortization of these costs is $172,833 for the year ended December 31, 2022.

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, 2022, no allowance for loan losses has been recognized. 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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - 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, or are required to be maintained permanently by the Organization.

Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There are no Board designated net assets at December 31, 2022.

Tax-Exempt Status

DPAL and the 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.

Contributions

Contributions, including pledges and grants receivable, are recognized in the period received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Revenue Recognition

The Organization's revenues arise from the sale of goods and services under contract with customers. Revenue under contracts with customers is recognized when the customer obtains control of the good or service and is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

A performance obligation is a district good, service, or bundle of goods or services promised in a contract. The Organization identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to appropriately depict the Organization's performance in transferring control of the promised goods and services to the customer. Contracts with customers do not include a significant financing component.

Program Fees

The Organization generates revenue from fees for community programs. Fees are recorded using the portfolio approach since the contracts are uniform. Individuals that are charged for services participate in programs throughout the various athletic seasons. Fees are non-refundable and paid in full prior to participation in the program. To determine the transaction price, management assesses the costs to provide the program and the Board approves the fixed fee through the budget annually. The performance obligation is satisfied upon the completion of the respective program or in equal monthly amounts over the season.

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

Deferred Revenue

These amounts represents payments received for events or programs prior to the event or program. As of December 31, 2022, all revenue received relating to 2023 sports programs and events are included in deferred revenue. Deferred revenue at December 31, 2022 is $5,768.

Expense Allocation

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by a weighted salary allocation or square footage. Expenses allocated based on a weighted salary allocation include salaries and wages, contractual services, insurance, and amortization. Expenses allocated by square footage include occupancy and utilities and depreciation.

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 evaluates subsequent events through July 24, 2024, which is the date that the consolidated financial statements are approved and available to be issued.

2. Pledges Receivable

Pledges receivable at December 31, 2022 are all receivable in less than one year.

3. Property and Equipment

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

	Depreciable Lives	
Computer equipment	3 yrs.	$ 40,919
Furniture and equipment	3 - 7 yrs.	615,442
Land improvements	3 - 7 yrs.	69,467
Vehicles	5 - 6 yrs.	90,864
Buildings	30 yrs.	16,249,364
Total		17,066,056
Less accumulated depreciation		(2,386,238)
Property and equipment, net		$ 14,679,818

Depreciation expense amounted to $540,575 for the year ended December 31, 2022.

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:

The Foundation:	
Note receivable with original principal of $2,017,200 due from BOA Investment Fund V, LLC (an unrelated entity), with quarterly interest only payments of 1 percent 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 only payments of 1.1891 percent 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.

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 percent 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 percent) 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 percent and 1.1891 percent 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 2022 was $0 and accrued interest was $0 at December 31, 2022.

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 percent 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 percent 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, 2022, no such events have occurred.

Subsequent to year end, the compliance period for the NMTC transaction ended and the put/call option was excercised and the NMTC was wound down. As a result, the notes receivable and debt related to the NMTC were settled.

6. Long-Term Debt

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

BOA CDE Loan A1 with an original principal of $2,017,200: Bearing interest at 1 percent 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 percent 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 percent 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 percent 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
Fifth Third bridge loan (available principal of $3,400,000): Bearing interest at thirty day LIBOR plus 3.10 percent (effective rate 4.475 percent) per annum; collateralized by 2017 grants, certain pledged accounts, property in possession of lender, intangible assets, books and records, and additional property, as specified in the loan agreements. The loan stipulates payments of accrued and unpaid interest on the unpaid principal balance are to paid in arrears each month. The principal and unpaid interest is due on the maturity date of November 17, 2023.	400,000
Payable to financial institution for equipment. Bearing interest at 4 percent per annum; collateralized by the equipment. Payments of $6,575 will be made monthly until the agreement matures in 2024.	138,070
Note payable to a third party for purchase of real estate. Bearing interest at .785 percent per annum; collateralized by the real estate. Payments of $1,670 will be made monthly until the note payable matures in August 2023.	13,272
Total	11,391,342
Less debt issuance costs, net	(46,269)
Less current portion	(485,595)
Long-term portion	$ 10,859,478

All loans payable above, unless noted otherwise, 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.

Total interest expense on all debt was $210,676 for the year ended December 31, 2022.

7. Line of Credit

DPAL has a unsecured $50,000 line of credit as of December 31, 2022, which bears interest at 0.25 percent above the prime rate. (The effective rate as of December 31, 2022 was 3.75) Total amount outstanding on the line of credit was $32,296 as of December 31, 2022.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

Purpose restrictions:		
Youth sports programs	$	305,128
Youth enrichment		195,576
Other purpose restrictions		13,515
Time restrictions:		
Pledges receivable		400,000
Total	$	914,219

9. 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. During 2022, contributions to the Organization's defined contribution benefit plan were stopped due to cash flow restrictions.

10. 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, 2022.

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.

The beneficial interest reflected on the statement of financial position for $28,797 is classified as level 3 in the fair value hierarchy and there were no transfers during 2022.

11. Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses, scheduled principal payments on debt, and fixed asset additions not financed with debt are as follows:

Financial Assets:	
Cash and cash equivalents	$ 527,364
Interest receivable	5,043
Accounts, grants, and pledges receivable, current	814,416
Financial assets, at year-end	1,346,823
Less those unavailable for general expenditures within one year, due to:	
Restricted for purpose by donor	(914,219)
Financial assets available to meet cash needs for general expenditures within one year	$ 432,604

As of December 31, 2022, the Organization has certain donor-restricted assets that are to be used for specific purposes. Therefore, these assets are not considered to be available for general expenditures within the next year. The Organization has a policy to manage its liquidity following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a line of credit which is used to meet liquidity needs. The Organization is working to increase the borrowing availability by restructuring its line of credit with another financial institution. The Organization is also looking to build an endowment which will allow contributions from earnings to help meet liquidity needs.

12. Paycheck Protection Program

On May 4, 2020, the Organization received proceeds in the amount of $281,900 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Organization initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2020, the Organization had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, therefore, the Organization has recorded grant revenue of $281,900 within its statements of activities for the year-end December 31, 2020. The Organization received notification that the full amount had been forgiven by the SBA.

During 2021, the Organization applied for a second draw of PPP funds for $352,635 and received those funds during 2021. The Organization received notification that the full amount had been forgiven by the SBA. As a result, the forgiveness of the PPP balance was reflected as contribution revenue during December 31, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the legislation, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation

Consolidating Statement of Financial Position
December 31, 2022

	DPAL	Foundation	Total Consolidation Before Eliminations	Eliminations	Total Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 527,364	$ -	$ 527,364	$ -	$ 527,364
Accounts receivable, net	4,270	-	4,270	-	4,270
Interest receivable	-	5,043	5,043	-	5,043
Pledges receivable, net	400,000	-	400,000	-	400,000
Grants receivable	410,146	-	410,146	-	410,146
Prepaid expenses	11,823	-	11,823	-	11,823
Total current assets	1,353,603	5,043	1,358,646	-	1,358,646
Property and Equipment, Net	14,679,818	-	14,679,818	-	14,679,818
Other Assets					
Restricted cash	-	153,880	153,880	-	153,880
Notes receivable	-	7,516,400	7,516,400	-	7,516,400
Beneficial interest	27,948	-	27,948	-	27,948
Total other assets	27,948	7,670,280	7,698,228	-	7,698,228
Total assets	$ 16,061,369	$ 7,675,323	$ 23,736,692	$ -	$ 23,736,692

Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation

Consolidating Statement of Financial Position
December 31, 2022

	DPAL	Foundation	Total Consolidation Before Eliminations	Eliminations	Total Consolidated
Liabilities and Net Assets					
Current Liabilities					
Line of credit	$ 27,514	$ -	$ 27,514	$ -	$ 27,514
Current maturities of long term debt	485,595	-	485,595	-	485,595
Accounts payable	104,321	-	104,321	-	104,321
Accrued payroll and other expenses	131,476	-	131,476	-	131,476
Deferred revenue	5,768	-	5,768	-	5,768
Total current liabilities	754,674	-	754,674	-	754,674
Long-Term Debt, Net of Current Maturities and Debt Issuance Costs	10,859,478	-	10,859,478	-	10,859,478
Total liabilities	11,614,152	-	11,614,152	-	11,614,152
Net Assets					
Net assets without donor restrictions	3,532,998	7,675,323	11,208,321	-	11,208,321
Net assets with donor restrictions	914,219	-	914,219	-	914,219
Total net assets	4,447,217	7,675,323	12,122,540	-	12,122,540
Total liabilities and net assets	$ 16,061,369	$ 7,675,323	$ 23,736,692	$ -	$ 23,736,692

Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation

Consolidating Statement of Activities
Year Ended December 31, 2022

	DPAL	Foundation	Total Consolidated Before Eliminations	Eliminations	Total Consolidated
Public Support					
Contributions and grants	$ 2,615,468	$ -	$ 2,615,468	$ -	$ 2,615,468
Government grants	485,215	-	485,215	-	485,215
Special events	82,735	-	82,735	-	82,735
Net assets released from restriction	73,643	-	73,643	-	73,643
Total public support	3,257,061	-	3,257,061	-	3,257,061
Revenue					
Program fees	175,638	-	175,638	-	175,638
Interest income	-	97,083	97,083	-	97,083
Rental income	245,206	-	245,206	-	245,206
Other	29,860	-	29,860	-	29,860
Total revenue	450,704	97,083	547,787	-	547,787
Total public support and revenue	3,707,765	97,083	3,804,848	-	3,804,848
Expenses					
Program services					
Athletic programs	1,293,119	-	1,293,119	-	1,293,119
Education and leadership programs	471,923	-	471,923	-	471,923
Kids at the Corner Redevelopment	341,795	-	341,795	-	341,795
Total program services	2,106,837	-	2,106,837	-	2,106,837
Management and general	987,345	441,068	1,428,413	-	1,428,413
Event and sales management	285,074	-	285,074	-	285,074
Fundraising	556,612	-	556,612	-	556,612
Total expenses	3,935,868	441,068	4,376,936	-	4,376,936
Change in net assets without donor restrictions	(228,103)	(343,985)	(572,088)	-	(572,088)
Change in Net Assets with Donor Restrictions					
Contributions and grants	914,219	-	914,219	-	914,219
Net assets released from restrictions	(73,643)	-	(73,643)	-	(73,643)
Change in net assets with donor restrictions	840,576	-	840,576	-	840,576
Change in net assets	612,473	(343,985)	268,488	-	268,488
Net Assets, Beginning	3,834,744	8,019,308	11,854,052	-	11,854,052
Net Assets, Ending	$ 4,447,217	$ 7,675,323	$ 12,122,540	$ -	$ 12,122,540