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

Consolidated Financial Statements
and Supplementary Information

December 31, 2023

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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

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, 2023, 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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standard*s). 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 accounting principles generally accepted in the United States of America, 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Southfield, Michigan
January 6, 2025

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

Consolidated Statement of Financial Position
December 31, 2023

Assets		
Current Assets		
Cash and cash equivalents	$	855,967
Grants receivable		776,756
Prepaid expenses		15,982
Total current assets		1,648,705
Property and Equipment, Net		14,342,034
Other Assets		
Beneficial interest		30,488
Total assets	$	16,021,227
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	$	213,818
Debt		59,173
Accounts payable		80,867
Accrued payroll and other expenses		81,757
Deferred revenue		37,893
Total current liabilities		473,508
Net Assets		
Without donor restrictions		15,035,594
With donor restrictions		512,125
Total net assets		15,547,719
Total liabilities and net assets	$	16,021,227

See notes to consolidated financial statements

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

Consolidated Statement of Activities
Year Ended December 31, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public Support			
Contributions	$ 1,390,178	$ 486,885	$ 1,877,063
Government grants	1,392,065	-	1,392,065
Special events	159,243	-	159,243
Net assets released from restrictions	888,979	(888,979)	-
Total public support	3,830,465	(402,094)	3,428,371
Revenue			
Program fees	226,424	-	226,424
Interest income	5,179	-	5,179
Gain on extinguishment of new market tax credit loans	3,323,600	-	3,323,600
Rental income	336,857	-	336,857
Other	175,986	-	175,986
Total revenue	4,068,046	-	4,068,046
Total public support and revenue	7,898,511	(402,094)	7,496,417
Expenses			
Program services			
Athletic programs	1,111,568	-	1,111,568
Education and leadership programs	364,761	-	364,761
Kids at the Corner Redevelopment	174,437	-	174,437
Total program services	1,650,766	-	1,650,766
Management and general	1,733,630	-	1,733,630
Event and sales management	343,221	-	343,221
Fundraising	343,621	-	343,621
Total expenses	4,071,238	-	4,071,238
Change in net assets	3,827,273	(402,094)	3,425,179
Net Assets, Beginning	11,208,321	914,219	12,122,540
Net Assets, Ending	$ 15,035,594	$ 512,125	$ 15,547,719

See notes to consolidated financial statements

Cash Flows From Operating Activities	
Change in net assets	$ 3,425,179
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	507,076
Net unrealized gain on beneficial interest	(2,540)
Amortization of debt issuance costs	39,582
Gain on extinguishment of new market tax credit loans	(3,323,600)
Gain on disposal of property and equipment	(400)
Changes in assets and liabilities:	
Accounts receivable	4,270
Interest receivable	5,043
Pledges receivable	400,000
Grants receivable	(366,610)
Prepaid expenses	(4,159)
Accounts payable	(23,454)
Accrued payroll and other expenses	(49,719)
Deferred revenue	32,125
Net cash flows from operating activities	642,793
Cash Flows From Investing Activities	
Purchase of property and equipment	(168,892)
Cash Flows From Financing Activities	
Proceeds on line of credit, net	186,304
Proceeds from issuance of debt	200,000
Principal payments on debt	(685,482)
Net cash flows from financing activities	(299,178)
Net change in cash and cash equivalents	174,723
Total Cash and Cash Equivalents and Restricted Cash, Beginning	681,244
Total Cash and Cash Equivalents and Restricted Cash, Ending	$ 855,967
Supplemental Cash Flow Disclosures	
Cash paid for interest	$ 184,029
Noncash Investing and Financing Activities	
Noncash extinguishment of NMTC notes payable	$ 10,840,000
Noncash extinguishment of NMTC notes receivable	$ 7,516,400

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

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	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	$ 530,697	$ 205,913	$ 17,424	$ 754,034	$ 552,004	$ 196,662	$ 199,871	$ 1,702,571
Supplies	92,765	41,765	-	134,530	13,571	14,634	5,012	167,747
Professional services	250,821	66,930	31,060	348,811	237,101	74,931	85,965	746,808
Repairs and maintenance	34,631	1,550	-	36,181	116,259	4,674	279	157,393
Insurance	22,401	9,266	917	32,584	37,129	10,604	10,520	90,837
Travel and meetings	37,834	5,385	-	43,219	11,522	-	566	55,307
Conferences	15,487	1,317	-	16,804	4,094	477	1,387	22,762
Occupancy and utilities	122,263	24,882	2,413	149,558	85,854	27,903	32,683	295,998
Marketing and advertising	-	150	-	150	59,962	232	3,430	63,774
Interest and fees	4,229	6,362	83,041	93,632	79,370	7,959	3,068	184,029
Miscellaneous	440	1,241	-	1,681	29,688	5,145	840	37,354
Depreciation	-	-	-	-	507,076	-	-	507,076
Amortization	-	-	39,582	39,582	-	-	-	39,582
Total expenses	$ 1,111,568	$ 364,761	$ 174,437	$ 1,650,766	$ 1,733,630	$ 343,221	$ 343,621	$ 4,071,238

See notes to consolidated financial statements

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. During 2023, the NMTC arrangement was wound down and all remaining assets were transferred to DPAL. See Note 3. 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 was required to maintain a separate account for funds relating to the NMTC construction project (the Project), which required lender approval to be released. The Organization was 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. See Note 3 as these restrictions were released in 2023 due to the payoff of the loan.

Grants Receivable

Grants receivable are from government funding sources which generally are receivable within 30 days from the invoice or billing date, are stated at the invoice amount. Grants receivable have been adjusted for all known uncollectible accounts. The allowance is based on historical collection experience and a review of the current status of grants receivable. No allowance for doubtful accounts is considered necessary as of December 31, 2023. If amounts become uncollectible, they are charged against the allowance in the period in which that determination is made.

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 $30,488 at December 31, 2023. In addition, at December 31, 2023 there were approximately $186,000 of funds held by the Community Foundation associated with the Organization that do not meet the requirements to be recorded as a beneficial interest and are not reflected within the consolidated statement of financial position.

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.

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.

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, 2023.

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.

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The Organization does not believe that it has any uncertain tax positions at December 31, 2023.

Contributions and Government Grants

Contributions, including pledges and grants, are recognized in the period received. Conditional contributions and grants, 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. Total conditional contributions as of December 31, 2023 were approximately $8,700,000.

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 contracts 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 rent, events or programs prior to the event or program. As of December 31, 2023, all revenue received relating to 2024 sports programs, rent and events are included in deferred revenue. Deferred revenue at December 31, 2023 is $37,893.

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, 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 January 6, 2025, which is the date that the consolidated financial statements are approved and available to be issued.

2. 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.	619,162
Vehicles	5-6 yrs.	88,307
Buildings and improvements	15-30 yrs.	16,445,631
Construction in progress	N/A	38,771
Total		17,232,790
Less accumulated depreciation		(2,890,756)
Property and equipment, net		$ 14,342,034

3. 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 develop the historic Tiger Stadium 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 separate loans from the BOA CDE and the Cinnaire CDE.

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). The loans were made for $2,017,200 and $5,499,200, respectively. The loans bore interest at 1% and 1.1891% per annum, respectively. Interest only payments were received quarterly through June 2023. Principal and interest were due quarterly beginning July 2023 and were scheduled to continue thereafter until maturity, June 2053. The loans were secured by an interest in the borrower's ownership of the BOA CDE and Cinnaire CDE, respectively.

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 were interest only through June 2023, with principal and interest payable annually scheduled to commence July 2023 through June 2053. As a condition of the agreements, the CDE's require that the Foundation guarantee the payment of the notes and certain performance requirements.

The transaction was subject to a put/call option. The NMTC Investment Funds had a put option whereby upon exercise of the option after the last day of the tax credit investment period, the Foundation was 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 had a call option whereby if exercised, they had the right to purchase NMTC Investment Funds' 100% membership interest in the BOA CDE and Cinnaire CDE at fair value. In June 2023, the put/call options were exercised and the NMTC was wound down. The parties entered into an unwind agreement, whereby the notes and indebtedness were terminated/forgiven and the Fifth Third Bank note was paid off, releasing the restricted cash. As a result of these transactions, the notes receivable and debt related to the NMTC were settled with a net gain of $3,323,600.

4. Debt

Debt consists of a payable to a financial institution for equipment. The note bears interest at 4% per annum and is collateralized by the equipment. Payments of $6,575 are made monthly until the agreement matures in 2024. The amount outstanding was $59,173 as of December 31, 2023 and was paid off in 2024.

5. Lines of Credit

DPAL has a $1,000,000 line of credit with an expiration date of January 2024. The line of credit bears interest at one month Secured Overnight Financing Rate (SOFR) plus 3.220% and is secured by property of the Organization. The amount outstanding on the line of credit was $197,510 as of December 31, 2023. The line of credit was paid off and not renewed in January 2024.

In addition, DPAL has an unsecured $50,000 line of credit, which bears interest at 0.25% above the prime rate (8.75% at December 31, 2023). Total amount outstanding on the line of credit was $16,308 as of December 31, 2023.

6. 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	$ 151,429
Critical conversations	175,000
Youth enrichment	73,696
Other purpose restrictions	112,000
Total	$ 512,125

7. 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. There were no contributions in 2023.

8. 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 year ended December 31, 2023.

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 $30,488 is classified as level 3 in the fair value hierarchy and there were no transfers during 2023.

9. 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	$ 855,967
Grants receivable	776,756
Financial assets, at year-end	1,632,723
Less those unavailable for general expenditures within one year, due to:	
Restricted for purpose by donor	(512,125)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,120,598

As of December 31, 2023, 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 also looking to build an endowment which will allow contributions from earnings to help meet liquidity needs.

10. Litigation

The Organization is subject to possible legal actions in the normal course of business. Although litigation is subject to many uncertainties and the ultimate exposure cannot be ascertained, management does not believe the final outcome of any actions will have a material adverse effect on the financial position or results of operations of the Organization.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation (the Organization), which comprise the Organization's consolidated statement of financial position as of December 31, 2023, 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, and have issued our report thereon dated January 6, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly US, LLP

Southfield, Michigan
January 6, 2025

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors of
Detroit Police Athletic League, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Detroit Police Athletic League, Inc.'s (DPAL) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on DPAL's major federal program for the year ended December 31, 2023. DPAL's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, DPAL complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of DPAL and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of DPAL's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

Detroit Police Athletic League, Inc. and Detroit PAL Fundraising Foundation's basic consolidated financial statements include the operations of Detroit PAL Fundraising Foundation, which is not included in DPAL's schedule of expenditures of federal awards for the year ended December 31, 2023. Our compliance audit, described in the Opinion on the Major Federal Program section above, does not include the operations of Detroit PAL Fundraising Foundation because it does not require an audit under the Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to DPAL's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DPAL's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DPAL's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 DPAL's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of DPAL's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of DPAL's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2023-001, to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on DPAL's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. DPAL's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Baker Tilly US, LLP

Southfield, Michigan
January 6, 2025

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

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Award Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Treasury			
Passed through Michigan Commission on Law Enforcement Standards			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	PAL5411	$ 1,389,565

See notes to the schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Detroit Police Athletic League, Inc. (DPAL) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of DPAL, it is not intended to and does not present the financial position, changes in net assets or cash flows of DPAL.

Expenditures for Detroit PAL Fundraising Foundation are not included to meet the requirements contained in the Uniform Guidance because it is not required to have an audit under the Uniform Guidance.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

DPAL has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____	yes	X	no
Significant deficiency(ies) identified?	____	yes	X	none reported
Noncompliance material to the consolidated financial statements noted?	____	yes	X	no

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?	X	yes	____	no
Significant deficiency(ies) identified?	____	yes	X	no
Type of auditors' report issued on compliance for the major federal program:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	yes	____	no

Identification of major federal program:

Assistance Listing Number	Name of Federal Program
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between federal Type A and Type B programs	$750,000			
Auditee qualified as low-risk auditee?	____	yes	X	no

Section II - Financial Statement Findings

There were no findings.

Section III - Federal Award Findings and Questioned Costs

2023-001 *Agency:* U.S. Department of Treasury

Assistance Listing Number: 21.027

Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Condition: The Organization did not have adequate and effective controls over compliance in place as it relates to activities allowed or unallowed and allowable costs. We noted instances where payroll and non-payroll related expenditures did not have documentation of review.

Criteria: Uniform Guidance requires Detroit Police Athletic League, Inc. (DPAL) to establish and maintain effective internal control over federal awards to provide reasonable assurance DPAL is managing the federal awards in compliance with federal statutes, regulations and the terms and conditions of the award.

Questioned Costs: The amount of questioned costs cannot be determined.

Context: DPAL is required by the Uniform Guidance to have effective internal control relating to activities allowed or unallowed and allowable costs.

Effect: Without verifiable evidence of controls in place, the possibility exists that a control was not established or maintained during the period which could lead to noncompliance not being identified by management.

Cause: Although management has indicated that reviews were taking place, management did not have sufficient and verifiable documented evidence of the reviews that occurred during the year for payroll and non-payroll transactions.

Recommendation: We recommend management review current internal controls and implement a process where the preparer and reviewer retain verifiable evidence of the review.

Management's Response: Management agrees with the finding and will make operational and reporting improvements to improve documentation of expenditure reviews moving forward.

The prior year did not require an audit under the Uniform Guidance, and therefore, no uncorrected or unresolved findings exist from prior single audits.