

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

Consolidated Financial Statements
and Supplementary Information

December 31, 2024 and 2023

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

Table of Contents

December 31, 2024 and 2023

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses	6
Notes to Consolidated Financial Statements	8

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, 2024 and 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, 2024 and 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 Standards*). 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 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.

Southfield, Michigan

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

Consolidated Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,058,965	\$ 855,967
Grants receivable	692,560	776,756
Prepaid expenses	<u>34,206</u>	<u>15,982</u>
Total current assets	<u>1,785,731</u>	<u>1,648,705</u>
Property and Equipment, Net	<u>14,405,590</u>	<u>14,342,034</u>
Other Assets		
Beneficial interest	<u>32,307</u>	<u>30,488</u>
Total assets	<u>\$ 16,223,628</u>	<u>\$ 16,021,227</u>
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	\$ -	\$ 213,818
Debt	-	59,173
Accounts payable	85,685	80,867
Accrued payroll and other expenses	265,991	81,757
Deferred revenue	<u>23,742</u>	<u>37,893</u>
Total current liabilities	<u>375,418</u>	<u>473,508</u>
Net Assets		
Without donor restrictions	15,515,850	15,035,594
With donor restrictions	<u>332,360</u>	<u>512,125</u>
Total net assets	<u>15,848,210</u>	<u>15,547,719</u>
Total liabilities and net assets	<u>\$ 16,223,628</u>	<u>\$ 16,021,227</u>

See notes to consolidated financial statements

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

Consolidated Statements of Activities
Years Ended December 31, 2024 and 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2024 Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2023 Total
Public Support						
Contributions	\$ 799,468	\$ 740,729	\$ 1,540,197	\$ 1,390,178	\$ 486,885	\$ 1,877,063
Government grants	2,869,997	-	2,869,997	1,392,065	-	1,392,065
Special events	222,809	-	222,809	159,243	-	159,243
Net assets released from restrictions	920,494	(920,494)	-	888,979	(888,979)	-
Total public support	<u>4,812,768</u>	<u>(179,765)</u>	<u>4,633,003</u>	<u>3,830,465</u>	<u>(402,094)</u>	<u>3,428,371</u>
Revenue						
Program fees	382,047	-	382,047	226,424	-	226,424
Interest income	1,819	-	1,819	5,179	-	5,179
Gain on extinguishment of new market tax credit loans	-	-	-	3,323,600	-	3,323,600
Rental income	490,094	-	490,094	336,857	-	336,857
Other	33,945	-	33,945	175,986	-	175,986
Total revenue	<u>907,905</u>	<u>-</u>	<u>907,905</u>	<u>4,068,046</u>	<u>-</u>	<u>4,068,046</u>
Total public support and revenue	<u>5,720,673</u>	<u>(179,765)</u>	<u>5,540,908</u>	<u>7,898,511</u>	<u>(402,094)</u>	<u>7,496,417</u>
Expenses						
Program services						
Athletic programs	1,353,782	-	1,353,782	1,111,568	-	1,111,568
Education and leadership programs	302,663	-	302,663	364,761	-	364,761
Kids at the Corner Redevelopment	-	-	-	174,437	-	174,437
Total program services	<u>1,656,445</u>	<u>-</u>	<u>1,656,445</u>	<u>1,650,766</u>	<u>-</u>	<u>1,650,766</u>
Management and general	2,666,847	-	2,666,847	1,733,630	-	1,733,630
Fundraising	917,125	-	917,125	686,842	-	686,842
Total expenses	<u>5,240,417</u>	<u>-</u>	<u>5,240,417</u>	<u>4,071,238</u>	<u>-</u>	<u>4,071,238</u>
Change in net assets	480,256	(179,765)	300,491	3,827,273	(402,094)	3,425,179
Net Assets, Beginning	<u>15,035,594</u>	<u>512,125</u>	<u>15,547,719</u>	<u>11,208,321</u>	<u>914,219</u>	<u>12,122,540</u>
Net Assets, Ending	<u>\$ 15,515,850</u>	<u>\$ 332,360</u>	<u>\$ 15,848,210</u>	<u>\$ 15,035,594</u>	<u>\$ 512,125</u>	<u>\$ 15,547,719</u>

See notes to consolidated financial statements

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

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 300,491	\$ 3,425,179
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	517,462	507,076
Net unrealized gain on beneficial interest	(1,819)	(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	84,196	(366,610)
Prepaid expenses	(18,224)	(4,159)
Accounts payable	4,818	(23,454)
Accrued payroll and other expenses	184,234	(49,719)
Deferred revenue	(14,151)	32,125
Net cash flows from operating activities	<u>1,057,007</u>	<u>642,793</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(581,018)</u>	<u>(168,892)</u>
Cash Flows From Financing Activities		
Payments on line of credit, net	(213,818)	186,304
Proceeds from issuance of debt	-	200,000
Principal payments on debt	<u>(59,173)</u>	<u>(685,482)</u>
Net cash flows from financing activities	<u>(272,991)</u>	<u>(299,178)</u>
Net change in cash and cash equivalents	202,998	174,723
Total Cash and Cash Equivalents and Restricted Cash, Beginning	<u>855,967</u>	<u>681,244</u>
Total Cash and Cash Equivalents and Restricted Cash, Ending	<u>\$ 1,058,965</u>	<u>\$ 855,967</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	<u>\$ 5,886</u>	<u>\$ 184,029</u>
Noncash Investing and Financing Activities		
Noncash extinguishment of NMTC notes payable		<u>\$ 10,840,000</u>
Noncash extinguishment of NMTC notes receivable		<u>\$ 7,516,400</u>

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, 2024

	Athletic Programs	Education and Leadership Programs	Total Program	Management and General	Fundraising	Total
Salaries, benefits and taxes	\$ 525,049	\$ 31,131	\$ 556,180	\$ 1,412,150	\$ 397,282	\$ 2,365,612
Supplies	437,299	138,542	575,841	62,909	38,916	677,666
Professional services	300	4,820	5,120	369,047	197,412	571,579
Repairs and maintenance	15,853	899	16,752	215,630	16,008	248,390
Insurance	-	-	-	107,770	-	107,770
Travel and meetings	65,729	1,592	67,321	10,865	1,062	79,248
Conferences	2,216	35	2,251	10,107	1,620	13,978
Occupancy and utilities	134,764	56,713	191,477	140,175	100,695	432,347
Marketing and advertising	-	144	144	76,731	-	76,875
Interest and fees	7,064	731	7,795	32,391	12,006	52,192
Miscellaneous	4,213	177	4,390	61,302	31,606	97,298
Depreciation	161,295	67,879	229,174	167,770	120,518	517,462
Total expenses	\$ 1,353,782	\$ 302,663	\$ 1,656,445	\$ 2,666,847	\$ 917,125	\$ 5,240,417

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, 2023

	Athletic Programs	Education and Leadership Programs	Kids at the Corner Redevelopment	Total Program	Management and General (Other)	Fundraising	Total
Salaries and wages	\$ 530,697	\$ 205,913	\$ 17,424	\$ 754,034	\$ 552,004	\$ 396,533	\$ 1,702,571
Supplies	92,765	41,765	-	134,530	13,571	19,646	167,747
Professional services	250,821	66,930	31,060	348,811	237,101	160,896	746,808
Repairs and maintenance	34,631	1,550	-	36,181	116,259	4,953	157,393
Insurance	22,401	9,266	917	32,584	37,129	21,124	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	1,864	22,762
Occupancy and utilities	122,263	24,882	2,413	149,558	85,854	60,586	295,998
Marketing	-	150	-	150	59,962	3,662	63,774
Interest and fees	4,229	6,362	83,041	93,632	79,370	11,027	184,029
Miscellaneous	440	1,241	-	1,681	29,688	5,985	37,354
Depreciation	-	-	-	-	507,076	-	507,076
Amortization	-	-	39,582	39,582	-	-	39,582
Total expenses	<u>\$ 1,111,568</u>	<u>\$ 364,761</u>	<u>\$ 174,437</u>	<u>\$ 1,650,766</u>	<u>\$ 1,733,630</u>	<u>\$ 686,842</u>	<u>\$ 4,071,238</u>

See notes to consolidated financial statements

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

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Kids at the Corner Redevelopment

The Organization 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.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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, 2024 and 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 \$32,307 and \$30,488 at December 31, 2024 and 2023, respectively. In addition, at December 31, 2024 there were approximately \$235,000 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.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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, 2024.

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, 2024 and 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, 2024 and 2023 were approximately \$6,330,000 and \$8,700,000, respectively.

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.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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 distinct 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, 2024 and 2023, all revenue received relating to 2025 and 2024 sports programs, rent and events are included in deferred revenue. Deferred revenue at December 31, 2024 and 2023 amounted to \$23,742 and \$37,893, respectively.

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 [DATE OF MANAGEMENT REP LETTER], which is the date that the consolidated financial statements are approved and available to be issued.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

2. Property and Equipment

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

	Depreciable Lives	2024	2023
Computer equipment	3 yrs.	\$ 40,919	\$ 40,919
Furniture and equipment	3-7 yrs.	655,242	619,162
Vehicles	5-6 yrs.	156,493	88,307
Buildings and improvements	15-30 yrs.	16,445,631	16,445,631
Construction in progress	N/A	515,523	38,771
Total		17,813,808	17,232,790
Less accumulated depreciation		<u>(3,408,218)</u>	<u>(2,890,756)</u>
Property and equipment, net		<u>\$ 14,405,590</u>	<u>\$ 14,342,034</u>

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 (QLICs). 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 (QLIC 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.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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 consisted of a payable to a financial institution for equipment. The note bore interest at 4% per annum and was collateralized by the equipment. Payments of \$6,575 were made monthly until the agreement matured in 2024. The amount outstanding was \$59,173 as of December 31, 2023 and was paid off during 2024.

5. Lines of Credit

DPAL had 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 fully repaid and not renewed during 2024.

In addition, DPAL had an unsecured \$50,000 line of credit, which bore 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. The line of credit was fully repaid and not renewed during 2024.

6. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Purpose restrictions:		
Youth sports programs	\$ 139,429	151,429
Critical conversations	114,944	175,000
Youth enrichment	-	73,696
Other purpose restrictions	77,987	112,000
	<u>77,987</u>	<u>112,000</u>
Total	<u>\$ 332,360</u>	<u>\$ 512,125</u>

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 2024 or 2023.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 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 years ended December 31, 2024 and 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 \$32,307 and \$30,488, as of December 31, 2024 and 2023, respectively are classified as level 3 in the fair value hierarchy and there were no transfers during 2024.

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

Notes to Consolidated Financial Statements
December 31, 2024 and 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:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 1,058,965	\$ 855,967
Grants receivable	<u>692,560</u>	<u>776,756</u>
Financial assets, at year-end	1,751,525	1,632,723
Less those unavailable for general expenditures within one year, due to:		
Restricted for purpose by donor	<u>(332,360)</u>	<u>(512,125)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,419,165</u>	<u>\$ 1,120,598</u>

As of December 31, 2024, 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 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.