

Great Lakes Center Foundation

Financial Statements

For the Years Ended
December 31, 2009 and 2008

GREAT LAKES CENTER FOUNDATION

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INDEPENDENT AUDITORS' REPORT

May 3, 2010

Board of Directors
Great Lakes Center Foundation
Bay City, Michigan

We have audited the accompanying statements of financial position of the *Great Lakes Center Foundation* (the "Foundation") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully discussed in Note 1 to the financial statements, the Foundation has not consolidated a wholly-owned subsidiary. In our opinion, accounting principles generally accepted in the United States of America require the consolidation of all wholly-owned subsidiaries.

In our opinion, except for the effect of the departure from generally accepted accounting principles described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of *Great Lakes Center Foundation* as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



GREAT LAKES CENTER FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 538,576	\$ 15,725
Accounts receivable	70,000	590,691
Unconditional promises to give, current	-	75,000
Notes receivable	3,509,125	3,392,230
Prepaid expenses and other assets	11,111	2,120
Furniture and equipment, net	18,162	-
Investment in properties	644,762	1,701,724
Investment in GLCF Holding, Inc.	1,000,100	1,000,100
Total assets	\$ 5,791,836	\$ 6,777,590
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 9,183	\$ 10
Debt	-	735,316
Total liabilities	9,183	735,326
Commitments and contingency (Note 6 and 9)		
Net assets		
Unrestricted	5,782,653	5,967,264
Temporarily restricted	-	75,000
Total net assets	5,782,653	6,042,264
Total liabilities and net assets	\$ 5,791,836	\$ 6,777,590

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

GREAT LAKES CENTER FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Rental income	\$ 64,401	\$ -	\$ 64,401
Interest income	29,713	-	29,713
Grants - federal	1,560	-	1,560
Other income	10,000	-	10,000
Net assets released from restrictions	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total support and revenue	<u>180,674</u>	<u>(75,000)</u>	<u>105,674</u>
Expenses			
Program related expenses			
Project expenses	13,507	-	13,507
Supporting services			
General and administrative	<u>81,307</u>	<u>-</u>	<u>81,307</u>
Total expenses	<u>94,814</u>	<u>-</u>	<u>94,814</u>
Loss on sale of investment in properties	<u>270,471</u>	<u>-</u>	<u>270,471</u>
Total expenses and losses	<u>365,285</u>	<u>-</u>	<u>365,285</u>
Change in net assets	(184,611)	(75,000)	(259,611)
Net assets at beginning of year	<u>5,967,264</u>	<u>75,000</u>	<u>6,042,264</u>
Net assets at end of year	<u>\$ 5,782,653</u>	<u>\$ -</u>	<u>\$ 5,782,653</u>

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

GREAT LAKES CENTER FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Rental income	\$ 72,616	\$ -	\$ 72,616
Interest income	28,274	-	28,274
Grants - federal	76,000	-	76,000
Other income	22,663	-	22,663
Development fee income	746,286	-	746,286
Contributions	107,752	25,000	132,752
Net assets released from restrictions	73,448	(73,448)	-
Total support and revenue	<u>1,127,039</u>	<u>(48,448)</u>	<u>1,078,591</u>
Expenses			
Program related expenses			
Project expenses	42,118	-	42,118
Supporting services			
General and administrative	64,855	-	64,855
Fundraising	1,780	-	1,780
Total expenses	<u>108,753</u>	<u>-</u>	<u>108,753</u>
Impairment loss on investment in properties	180,603	-	180,603
Total expenses and losses	<u>289,356</u>	<u>-</u>	<u>289,356</u>
Change in net assets	<u>837,683</u>	<u>(48,448)</u>	<u>789,235</u>
Net assets at beginning of year	5,129,581	123,448	5,253,029
Net assets at end of year	<u>\$ 5,967,264</u>	<u>\$ 75,000</u>	<u>\$ 6,042,264</u>

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

GREAT LAKES CENTER FOUNDATION
STATEMENTS OF CASH FLOWS

	December 31	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (259,611)	\$ 789,235
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on sale of investment in properties	270,471	-
Impairment loss on investment in properties	-	180,603
Depreciation	204	-
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable	590,691	(566,860)
Unconditional promises to give	75,000	48,348
Prepaid expenses and other assets	(8,991)	2,959
Accounts payable	9,173	(990)
Net cash provided by operating activities	<u>676,937</u>	<u>453,295</u>
Cash flows from investing activities		
Advances on notes receivable	(116,895)	(50,130)
Purchases of furniture and equipment	(18,366)	-
Proceeds from sale of investment properties	716,491	
Capital contribution in GLCF Holding, Inc.	-	(100,000)
Net cash provided by (used in) investing activities	<u>581,230</u>	<u>(150,130)</u>
Cash flows from financing activities		
Repayments of debt	(735,316)	(292,704)
Net increase in cash and cash equivalents	522,851	10,461
Cash and cash equivalents at beginning of year	15,725	5,264
Cash and cash equivalents at end of year	<u>\$ 538,576</u>	<u>\$ 15,725</u>
Supplemental information		
Cash paid for interest	\$ 13,507	\$ 42,090
Account receivable from sale of investment in property (Note 3)	70,000	-

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

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Great Lakes Center Foundation (the “Foundation”), a nonprofit organization tax-exempt under Internal Revenue Code Section 501(c)(3), receives and administers funds for the acquisition and development of real estate in Bay County for the public welfare and betterment of the local community.

The Foundation is a 100% owner of GLCF Holding, Inc. The accounts of GLCF Holding, Inc. are not consolidated in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. In 2007, the Foundation transferred \$686,622 of property and \$213,478 in cash to GLCF Holding, Inc. thereby recognizing an initial investment of \$900,100 at December 31, 2007. In 2008, the Foundation invested an additional \$100,000 in cash in GLCF Holding, Inc. At December 31, 2009 and 2008, the Foundation has recorded an investment in GLCF Holding, Inc. on the statements of financial position in the amount of \$1,000,100.

Fund Accounting and External Reporting

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose.

For external financial reporting purposes, the Foundation reports resources classified into net asset categories according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes of net assets - unrestricted, temporarily restricted, and permanently restricted net assets. Net assets and revenues, expenses and gains or losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Resources that are reported in this net asset category include unrestricted gifts and the investment earnings thereon, and related expenses associated with the operations of the Foundation.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be satisfied by actions of the Foundation or the passage of time. Resources reported in this net asset category include gifts for which restrictions have not been met. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or time restrictions have elapsed) are reported as reclassifications between the applicable classes of net assets.

Permanently Restricted Net Assets - Resources subject to donor-imposed stipulations that the corpus (original principal value of endowment gifts) be maintained permanently by the Foundation. The donors of these assets permit the Foundation to spend only the income earned on the related investments. All such income is restricted by the donors for specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to change relate to the determination of the fair value of investment in properties and the collectability of notes receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts maintained in bank demand deposit and savings accounts. The Foundation maintains deposit accounts with various financial institutions. In the normal course of business, at various times cash balances may exceed federally insured limits.

Accounts Receivable

Accounts receivable at December 31, 2009, are unsecured and consist entirely of \$70,000 due from the Bay Area YMCA in relation to the sale of an investment in property (See Note 3). Management believes that all accounts receivable will be fully collected within one year. Accordingly, no allowance for doubtful accounts is necessary. If amounts become uncollectible, they will be charged to expense in the period in which the determination is made.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Accounts receivable at December 31, 2008, were unsecured and consisted primarily of \$572,000 due from a related entity in relation to the sale of certain tax credits to a third party. The above mentioned December 31, 2008, accounts receivable were fully collected in 2009.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data such as the reporting entity's own data. The Foundation may choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value measurement option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, allowing the Foundation to record identical financial assets and liabilities at fair value or by another measurement basis permitted under generally accepted accounting principles, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. At December 31, 2009 and 2008, the Foundation had not elected the fair value option for any financial assets or liabilities, not otherwise reported at fair value.

For assets and liabilities recorded at fair value, it is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. In cases where the market for a financial asset or liability is not active, the Foundation includes appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when developing fair value measurements. Fair value measurements for assets and liabilities for which limited or no observable market data exists are accordingly based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. For a further discussion of Fair Value Measurements, refer to Note 4 to the financial statements.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Unconditional Promises to Give and Contributions

Contributions, including unconditional promises to give, are recognized in the period received or when verifiable evidence that the promise was made exists. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Unconditional promises to give as of December 31, 2008, in the amount of \$75,000 were received in 2009.

The Foundation reports promises to give at present value, discounted using the applicable federal rate to reflect the time value of money.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Furniture and Equipment and Depreciation

Furniture and equipment is stated at cost. Maintenance and repairs are expensed as incurred. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (three to ten years). The assets are presented in the statements of financial position net of accumulated depreciation of \$204 at December 31, 2009.

Investment in Properties

Investments in properties are carried at the lower of cost or market value. Cost of purchased properties is determined based upon the purchase price. Donated properties are recorded at fair value when received. Major improvements are capitalized while ordinary costs to maintain the property are expensed as incurred. Management annually reviews these assets to determine whether carrying values have been impaired.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods of allocation used are considered appropriate, other methods could be used that would produce a different amount.

Recent Accounting Pronouncement

In July 2006, the Financial Accounting Standards Board (FASB) issued a new standard related to *Accounting for Uncertainty in Income Taxes*, now codified as Accounting Standards Codification (“ASC”) Topic 740. ASC Topic 740 seeks to reduce the significant diversity in practice associated with financial statement recognition and measurement in accounting for income taxes and prescribes the minimum recognition threshold and measurement attribute for disclosures of tax positions previously taken or expected to be taken on an income tax return. Not-for-profit organizations are also within the scope of ASC Topic 740. An organization must consider whether they have engaged in activities that jeopardize their current tax exempt status with the Internal Revenue Service. Furthermore, the organization must determine whether they have any unrelated business income, which may be subject to US Federal Income Tax. The Foundation adopted the provisions of ASC Topic 740 effective January 1, 2009, and, accordingly, analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Foundation has also elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect any changes for such, to the extent they arise, as a component of its general and administrative expenses. The adoption of ASC Topic 740 has no significant impact on the Foundation’s financial statements.

The Foundation has evaluated the provisions of ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. The evaluation was performed for the years 2006 through 2009, the years which remain subject to examination by major tax jurisdiction as of December 31, 2009. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation’s financial statements. The Foundation does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g., tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly increase in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2009, and it is not aware of any claims for such amounts by federal or state income tax authorities.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2009, the most recent statement of financial position presented herein, through May 3, 2010, the date the accompanying financial statements were available to be issued. No significant such events or transactions were identified.

2. NOTES RECEIVABLE (INCLUDING RELATED PARTY)

During 2002, the Foundation sold property with a carrying value of \$703,217 in exchange for a \$640,000 note receivable. The note was interest free for the first six months after occupancy, then interest only payments calculated at 4% were to be made through January 2016. As of December 31, 2009, the Foundation has not received any interest payments on this note. Management believed that the interest on the note may not be collectible and wrote off accrued interest receivable as of December 31, 2007. Interest was not recorded in 2009 or 2008. A lump sum principal payment is due February 2016. In the event of default on the loan, interest will accrue at 6%. Management believes the outstanding note is fully collectible.

During 2007, the Foundation issued a promissory note for \$2,670,000, with the proceeds to be used to renovate the Pere Marquette Depot. The note calls for interest payments of 1% monthly beginning April 2007, with the principal to be paid within 33 years after the substantial completion of the Pere Marquette Depot renovations. The note is secured by various assets.

The Foundation has issued various promissory notes to a related party, Great Lakes Holding, Inc (“Great Lakes”), in the amount of \$199,125 and \$86,230 as of December 31, 2009 and 2008, respectively. Great Lakes was scheduled to pay the Foundation \$34,000 on these notes receivable in 2009; however, the Foundation has agreed to allow Great Lakes to repay these notes receivable in 2010. Management believes the outstanding notes are fully collectible.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The following is a summary of payments anticipated to be received on notes receivable for the five years succeeding December 31, 2009, and thereafter:

<u>Year</u>	<u>Amount</u>
2010	\$ 82,125
2011	-
2012	17,000
2013	100,000
2014	-
Thereafter	<u>3,310,000</u>
Total notes receivable	<u>\$ 3,509,125</u>

3. INVESTMENT IN PROPERTIES

Investment in properties consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Pere Marquette Depot	\$ 346,287	\$ 346,287
243, 245, and 247 Saginaw Street	298,475	298,475
Washington Avenue & Saginaw Street	-	780,000
1115 and 1117 Washington Avenue	<u>-</u>	<u>276,962</u>
Total investment in properties	<u>\$ 644,762</u>	<u>\$ 1,701,724</u>

Prior to 2009, the Foundation and the Bay Area Family YMCA (“YMCA”) negotiated a purchase agreement for the sale of the Washington Avenue and Saginaw Street property. Due to a decline in the fair value of the property, an other-than-temporary impairment loss of \$180,603 was recognized in 2008. During 2009, the YMCA exercised the option to purchase the property. The sale of the property resulted in a realized loss of \$315,770. The YMCA negotiated as part of the purchase agreement to pay the Foundation \$394,230 in cash with the remaining \$70,000 to be paid when the YMCA’s construction project is complete and an occupancy permit is received.

In 2009, the Foundation sold the 1115 and 1117 Washington Avenue property to an unrelated party, recognizing in a realized gain in the amount of \$45,299.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE

As of December 31, 2009, the Foundation had not elected the fair value option for any financial assets or liabilities. From time to time the Foundation may be required to record at fair value certain assets on a nonrecurring basis such as notes receivable and investment in properties considered impaired. These nonrecurring fair value adjustments typically involve the application of lower of cost of market accounting or write-downs of individual assets.

Fair Value Hierarchy

Fair value measurement standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies and key inputs used for assets recorded at fair value on a nonrecurring basis:

Investment in Properties: In 2008, an investment in property was recorded at fair value on a nonrecurring basis. The investment property was valued using a current appraised value of \$780,000 (classified as Level 2); resulting in an impairment loss of \$180,603. In 2009, this investment in property was sold at a loss (see Note 3).

5. DEBT

As of December 31, 2008, the Foundation had a note payable to a non-profit organization with an unpaid principal balance of \$735,316 with an effective interest rate of 3.25%. The note was collateralized by real estate and promises to give designated for the Pere Marquette Depot construction. The note was paid in full in 2009.

6. LEASES (INCLUDING RELATED PARTY)

Leasing Expense

In 2008, the Foundation entered into an operating lease agreement with a related party for the occupancy of the Welcome Center of the Pere Marquette Depot; such agreement expires in December 2015. The Foundation has also entered into contracts with a related party that terminates in June 2011 for office equipment. Total rent expense was \$49,085 and \$24,837 for the years ended December 31, 2009 and 2008, respectively.

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The following is a summary of annual future lease payments anticipated to be paid on non-cancelable operating leases for the five years succeeding December 31, 2009, and thereafter:

<u>Year</u>	<u>Amount</u>
2010	\$ 50,525
2011	49,879
2012	48,468
2013	49,923
2014	51,420
Thereafter	<u>52,963</u>
Total minimum future lease payments to be paid	<u>\$ 303,178</u>

Leasing Revenue

The Foundation's leasing operations consists of a non-cancelable lease terminating on December 31, 2010, and a lease with a related party that terminates in 2057. Total lease revenue received was \$64,401 and \$72,616 in 2009 and 2008, respectively.

The following is a summary of annual future lease payments anticipated to be received on non-cancelable operating leases for the five years succeeding December 31, 2009, and thereafter:

<u>Year</u>	<u>Amount</u>
2010	\$ 60,600
2011	1,200
2012	1,200
2013	1,200
2014	1,200
Thereafter	<u>50,400</u>
Total minimum future lease payments to be received	<u>\$ 115,800</u>

GREAT LAKES CENTER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for disbursement in subsequent periods. Temporarily restricted net assets at December 31, 2008, consist of promises to give that were received in 2009 and released from restrictions.

8. RELATED PARTY TRANSACTIONS

The Bay Area Community Foundation (“BACF”) controls the Foundation through a majority voting interest in its governing board, and also shares management personnel, office space, and office equipment with the activities of the Foundation. During 2009 and 2008, the BACF did not charge the Foundation for rent attributable to the Foundation. These amounts are not recorded in the financial statements and are not considered material to the financial statements.

9. CONTINGENCY

Effective October 2, 2006, the Foundation entered into an agreement to receive TEA-21 grant reimbursements in relation to the restoration of the Pere Marquette Railroad Depot. This agreement specified that if the Foundation is found to be in default of any of the specific restrictions noted in this agreement the grant amounts received totaling approximately \$707,000 would have to be returned. Management has asserted that the Foundation is not in violation in relation to any of the requirements noted in the aforementioned agreement.

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